

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Orleans Levee District
State of Louisiana
New Orleans, Louisiana

September 10, 2003



Financial and Compliance Audit Division

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Albert J. Robinson, Jr., CPA

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ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
New Orleans, Louisiana

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2003
With Supplemental Information Schedules

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

September 10, 2003

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2003

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STATE OF LOUISIANA
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The Board of Commissioners

OF THE

Orleans Levee District

SUITE 202 - ADMINISTRATION BUILDING
6001 STARS AND STRIPES BLVD.

New Orleans, La.

70126-8006
August 28, 2003

TEL. 504-243-4000

PROTECTING YOU
AND YOUR FAMILY



The Honorable James P. Huey, President,
and Members of the Board of Commissioners
of the Orleans Levee District

Dear Commissioners:

The Orleans Levee District is pleased to submit its Annual Financial Report for the fiscal year ended June 30, 2003. The District's management is responsible for the accuracy and completeness of all data and disclosures in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Annual Financial Report is presented in three sections: introductory, financial, and other supplemental information. The introductory section is this transmittal letter. The financial section has been prepared in accordance with the Governmental Accounting Standards Board Statement No. 34. This section includes the following: Independent Auditor's Report by the Louisiana Legislative Auditor, Management's Discussion and Analysis (Required Supplementary Information), government-wide financial statements, fund financial statements and notes to the financial statements. The other supplemental information section includes: schedule of per diem paid board members for compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, and the Annual Fiscal Report submitted to the Office of the Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy as required under Title 39. A report on compliance and internal control is also included in this report.

PROFILE

The Orleans Levee District was established in 1890. The District has primary responsibility for the operation and maintenance of a flood protection system surrounding the City of New Orleans. The District is responsible for the maintenance of almost 129 miles of levees and floodwalls.

In 1928, the Louisiana Legislature authorized the board to operate and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The board owns and operates the New Orleans Lakefront Airport, a general aviation airport, the Orleans Marina and the South Shore Harbor Marina.

Board of Commissioners

Orleans Levee District

The Honorable James P. Huey, President,
and Members of the Board of Commissioners
of the Orleans Levee District
August 28, 2003
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The District began the construction, improvement and maintenance of numerous hurricane and flood protection projects as the result of the issuance of \$50 million levee improvement bonds in November 1984. The United States Army Corps of Engineers (USACE) and the Orleans Levee District participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan). Under the High Level Plan, the levee district has expended bond and ad valorem tax funds over (approximately) the last 16 years. Three major projects on the High Level Plan are ongoing in Orleans Parish: the Orleans Avenue Canal, London Avenue Canal, and 17th Street Canal. These major projects should be completed in 2005.

FINANCIAL INFORMATION

The Orleans Levee District has presented government-wide financial statements, which are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business, and fund financial statements, which are used to provide management with information on current performance of the respective funds, and to ensure and demonstrate compliance with finance-related legal requirements.

Internal Control Framework

Management of the Orleans Levee District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Orleans Levee District's financial statements in conformity with accounting principles generally accepted in the United States of America. Management has assigned responsibilities and designed processes in an attempt to prevent potential conflicts of interest or unilateral control of critical functions. The District has segregated duties in several key areas including:

- Human resources and payroll processing
- Daily cash management and bank account reconciliations
- Cash disbursement authorization and bank account reconciliations
- Purchasing and accounts payable
- Cash disbursement authorization and accounts payable

Because the cost of internal controls should not outweigh their benefits, the Orleans Levee District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Board of Commissioners
Orleans Levee District

The Honorable James P. Huey, President,
and Members of the Board of Commissioners
of the Orleans Levee District
August 28, 2003
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Budgetary Controls

The Orleans Levee District is required to submit its annual fiscal year budget to the Board of Commissioners for review and approval, and to the Joint Legislative Committee on the Budget for review. All levels of management are involved in the budgeting process. Available resources are determined based on projected revenues and are allocated by object level to the various departments within the District.

Department managers and senior management compare actual performance to the approved budget on a monthly basis. Variances are monitored and recommended adjustments are submitted to the Finance Committee for review and submittal to the full Board for approval.

Long-term Obligations

The District had the following outstanding long-term debt at June 30, 2003:

General obligation bonds	\$ 70,000
Public improvement bonds	29,525,000
Levee improvement bonds	49,035,000
Total	<u>\$ 78,630,000</u>

The Capital Recovery Funding Bonds, Series 1988 of \$24,155,000 were redeemed on February 24, 2003.

The debt of the Orleans Levee District is payable from the avails of the two limited ad valorem taxes: the tax authorized by Article 6, Section 39A of the Louisiana Constitution and the special levee improvement tax authorized by the election of November 1983.

Liabilities associated with claims and judgments totaled \$14,171,326, and relate to Bohemia Spillway. While the judgment represents a liability of the Orleans Levee District, it is long-term in nature, since under Louisiana law, the judgment cannot be used to force the District to liquidate assets to satisfy the judgment.

Cash Management

Cash receipts are deposited daily into the District's bank accounts. Minimal cash balances are maintained in bank accounts for daily operations. Excess operating funds not needed for liquidity purposes are invested in U.S. government securities and agency securities in accordance with guidelines contained in a board approved Investment Policy and all associated state statutes.

Risk Management

The District has purchased various commercial insurance policies for protection from significant economic loss. These policies include coverage for standard automobile

Board of Commissioners
Orleans Levee District

The Honorable James P. Huey, President,
and Members of the Board of Commissioners
of the Orleans Levee District
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liability, comprehensive general liability, excess comprehensive general liability, workers' compensation, property, boiler and machinery, inland, marine and electronic data processing equipment, marina liability, airport fixed base operations (including hangarkeepers), police professional liability, employee dishonesty and flood. Additionally, tenants are required to obtain insurance for leased premises with the District named as additional insured, and contracts for major purchases and/or services contain requirements for vendor insurance and performance bond coverages.

INDEPENDENT AUDIT

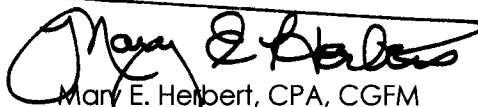
The Orleans Levee District's financial statements have been audited by the Louisiana Legislative Auditor. The financial statements are the responsibility of the Orleans Levee District. The responsibility of the Louisiana Legislative Auditor is to express an opinion on the District's financial statements based on their audit. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Orleans Levee District for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Orleans Levee District's financial statements for the fiscal year ended June 30, 2003 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The auditor's report is presented as the first component of the financial section of this report.

The preparation of this report would not have been possible without the dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. The Orleans Levee District and its Board of Commissioners are committed to providing thorough and relevant financial information to the users of our financial statements, and the preparation of this Annual Financial Report reflects this commitment.

Respectfully submitted,



Max L. Hearn
Executive Director



Mary E. Herbert, CPA, CGFM
Comptroller

MLH/MEH/jm



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

September 2, 2003

Independent Auditor's Report
on the Financial Statements

**BOARD OF COMMISSIONERS OF
THE ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**
New Orleans, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, and major funds of the Orleans Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2003, which collectively comprise the Orleans Levee District's basic financial statements. These financial statements are the responsibility of management of the Orleans Levee District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and major funds of the Orleans Levee District, as of June 30, 2003, and the changes in financial position, including cash flows of those activities and funds and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 14, the levee district changed the manner in which it accounted for revenues from land areas along the New Basin Canal. The levee district also changed the manner in which it accounted for the operations of Lake Vista Community Center. Those activities had previously been recorded in enterprise funds. Based on a reconsideration of proper accounting treatment, restatements have been made to account for these activities within the General Fund of the levee district. The levee district restated beginning General Fund fund balance by an increase of \$9,930,226, and restated beginning net assets of both the governmental activities and business-type activities by an increase and decrease, respectively, of \$11,301,636, to account for these changes.

LEGISLATIVE AUDITOR

BOARD OF COMMISSIONERS OF THE ORLEANS LEVEE DISTRICT STATE OF LOUISIANA

Audit Report, June 30, 2003

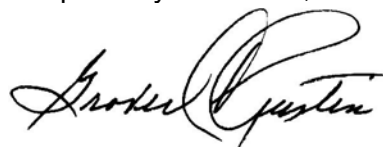
As discussed in note 18, the levee district has been named in 52 lawsuits. Several of these lawsuits involve revenues collected from the Bohemia Spillway in the parish of Plaquemines since July 1984. Act 1364 of 1997 requires that revenues produced from the disputed properties after June 29, 1984, be returned to the original owners or their successors. During the fiscal year ended June 30, 2003, litigation expenditures and judgment payments associated with the Bohemia Spillway and other claims totaled \$4,956,123, as shown on Statement D of the financial statements. Judgments payable at June 30, 2003, total \$14,171,326, which is included as a liability on Statement A of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2003, on our consideration of the Orleans Levee District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the Orleans Levee District's basic financial statements. The accompanying supplementary information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's discussion and analysis on pages 9 through 19 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin".

Grover C. Austin, CPA
First Assistant Legislative Auditor

RR:JR:PEP:dl

[OLD03]

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of June 30, 2003**

The Management's Discussion and Analysis of the Orleans Levee District's financial performance presents a narrative overview and analysis of the Orleans Levee District's financial activities for the year ended June 30, 2003. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the district's financial statements, which begin on page 20.

Financial Highlights

- The assets of the Orleans Levee District exceeded its liabilities at the close of fiscal year 2003 by \$123,729,108 (net assets), which represents a 1.88% increase from last fiscal year.
- The district's total net assets increased by \$2,280,791. The major cause of this increase is that charges for services, et cetera, were greater than the cost of operations and debt service.
- As of the close of the current fiscal year, the Orleans Levee District's governmental funds reported combined ending fund balances of \$34,741,281, a decrease of \$31,986,166 in comparison with the prior fiscal year. The decrease is due in part to the redemption of the Capital Recovery Funding Bonds, Series 1988 (\$24,155,000), and litigation payments (\$4,956,123).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$18,433,184, or 82.55% of total General Fund expenditures, including other financing uses, which was an increase of \$6,124,600 from that presented in last year's fund financial statements. This substantial change is due mainly to a change in accounting for New Basin Canal revenues, which were previously recorded under Orleans Marina, and Lake Vista Community Center, which was merged into the General Fund. See note 14 - Restatement of Prior Year Amounts. Compared to the prior year, the unreserved fund balance as restated declined \$3,805,626, primarily due to large litigation settlements in the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Orleans Levee District's basic financial statements. The district's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Orleans Levee District's finances, in a manner similar to a private sector business.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Management's Discussion and Analysis (Continued)

The statement of net assets presents information on all of the Orleans Levee District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the Orleans Levee District's net assets changed during the fiscal year 2003. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Orleans Levee District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the district is flood protection. The business-type activities of the district include two marinas and an airport.

The government-wide financial statements can be found on pages 20-22 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Orleans Levee District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Orleans Levee District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, debt service fund, special levee improvement fund, and general improvement fund.

The Orleans Levee District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Management's Discussion and Analysis (Continued)

The basic governmental fund financial statements can be found on pages 23-29 of this report.

Proprietary funds. The Orleans Levee District maintains only enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The district uses enterprise funds to account for Orleans Marina, South Shore Harbor Marina, and Lakefront Airport. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 30-34 of the report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 63 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Orleans Levee District's financial position. For fiscal year ended June 30, 2003, assets exceeded liabilities by \$123,729,108.

By far, the largest portion of the Orleans Levee District's net assets (83.68%) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The district uses these capital assets to provide flood protection services to the citizenry of Orleans Parish. Consequently, these assets are not available for future spending. Although the district's investment in its capital assets is reported net of related debt, it should be noted that the funds needed to repay this debt must be provided from operating revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis (Continued)

Orleans Levee District
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$38,026,524	\$69,016,393	\$2,279,259	\$366,618	\$40,305,783	\$69,383,011
Capital assets	131,493,046	129,747,864	50,374,028	52,624,306	181,867,074	182,372,170
Total assets	\$169,519,570	\$198,764,257	\$52,653,287	\$52,990,924	\$222,172,857	\$251,755,181
Long-term liabilities outstanding	\$61,354,578	\$91,818,173	\$27,898,315	\$30,220,556	\$89,252,893	\$122,038,729
Other liabilities	6,169,468	5,152,558	3,021,388	3,115,576	9,190,856	8,268,134
Total liabilities	\$67,524,046	\$96,970,731	\$30,919,703	\$33,336,132	\$98,443,749	\$130,306,863
Net assets:						
Invested in capital assets, net of related debt	\$82,388,046	\$78,167,865	\$21,151,992	\$22,035,829	\$103,540,038	\$100,203,694
Restricted	950,716	24,672,513			950,716	24,672,513
Unrestricted	18,656,762	(1,046,852)	581,592	(2,381,037)	19,238,354	(3,427,889)
Total net assets	\$101,995,524	\$101,793,526	\$21,733,584	\$19,654,792	\$123,729,108	\$121,448,318

An additional portion of the Orleans Levee District's net assets (0.77%) represents resources that are subject to external or policy restrictions on how they may be used.

There was a decrease of \$23,721,797 in restricted net assets reported in connection with the Orleans Levee District's governmental activities. This reduction resulted from increasing the reserve for Bohemia Spillway (\$311,360) and decreasing the reserve for debt service (\$24,033,157) due to the redemption of the Capital Recovery Funding Bonds, Series 1988.

The district's net assets increased by \$2,280,791 during the current fiscal year. The major cause of this increase is that charges for services, et cetera, were greater than the cost of operations and debt service.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis (Continued)

Orleans Levee District
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$915,473	\$845,149	\$11,650,652	\$11,697,833	\$12,566,125	\$12,542,982
Operating grants and contributions		3,184				3,184
Capital grants and contributions	790,862	2,159,385	361,142	287,187	1,152,004	2,446,572
General revenues:						
Property taxes	21,492,916	21,029,828			21,492,916	21,029,828
Other	3,849,904	4,606,647	321,086	684,437	4,170,990	5,291,084
Total revenues	<u>27,049,155</u>	<u>28,644,193</u>	<u>12,332,880</u>	<u>12,669,457</u>	<u>39,382,035</u>	<u>41,313,650</u>
Expenses:						
Flood and drainage protection	19,039,675	18,396,840			19,039,675	18,396,840
Interest	3,700,099	4,205,687			3,700,099	4,205,687
Litigation payments (proceeds), net	1,327,254	(30,182)			1,327,254	(30,182)
Marinas			4,806,370	4,879,120	4,806,370	4,879,120
Lakefront Airport			7,798,002	8,140,100	7,798,002	8,140,100
Total expenses	<u>24,067,028</u>	<u>22,572,345</u>	<u>12,604,372</u>	<u>13,019,220</u>	<u>36,671,400</u>	<u>35,591,565</u>
Increase in net assets before transfers	2,982,127	6,071,848	(271,492)	(349,763)	2,710,635	5,722,085
Transfers	(2,350,906)	(3,076,712)	2,350,906	3,076,712		
Loss on disposal of capital assets	<u>(429,223)</u>		<u>(622)</u>		<u>(429,845)</u>	
Increase in net assets	201,998	2,995,136	2,078,792	2,726,949	2,280,790	5,722,085
Net assets beginning of year	<u>101,793,526</u>	<u>98,798,390</u>	<u>19,654,792</u>	<u>16,927,842</u>	<u>121,448,318</u>	<u>115,726,232</u>
Net assets end of year	<u>\$101,995,524</u>	<u>\$101,793,526</u>	<u>\$21,733,584</u>	<u>\$19,654,791</u>	<u>\$123,729,108</u>	<u>\$121,448,317</u>

Governmental activities. Governmental activities increased the Orleans Levee District's net assets by \$201,998, thereby accounting for 8.86% of the total growth in the net assets of the Orleans Levee District. Key elements of this increase are as follows:

- Property taxes increased by \$463,088 (2.20%) during the year.
- Federal and state grants decreased by \$1,371,145 (63.58%) during the year.
- Other general revenues declined (\$756,743) from prior year levels due primarily to decreases in interest earnings.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Management's Discussion and Analysis (Continued)

- The increase in flood and drainage expenses reflects the hiring of personnel into 16 previously vacant positions and costs associated with one hurricane and two tropical storms.

Transfers of funds between governmental and business-type activities have the effect of increasing or decreasing current period reported income and change in net assets. This year for example, the governmental activities transferred \$2,000,000 to South Shore Harbor, a business-type activity. The transfer reduced governmental activities income and increased the income of the business-type activities. While the reported net income of the governmental activities, after transfers amounted to \$201,998 and the net income of the business-type activities is reported at \$2,078,793, the fact is that the governmental activities provided \$2,000,000 of the business-type activities' reported earnings. Thus, earnings prior to transfers should be examined to understand individual results.

Business-type activities. Business-type activities increased the Orleans Levee District's net assets by \$2,078,793, accounting for 91.14% of the total growth in the district's net assets. Key elements of this increase are as follows:

- Operating revenues for business-type activities were essentially unchanged from the prior fiscal year, with a decline in gaming revenues of \$226,752 and a decline in miscellaneous revenue for the airport of \$340,298.
- Overall expenses for business-type activities decreased by \$414,848, primarily as a result of abolishing 16 positions at the airport.

Financial Analysis of the Government's Funds

As noted earlier, the Orleans Levee District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Orleans Levee District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Orleans Levee District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Orleans Levee District's governmental funds reported combined ending fund balances of \$34,741,281, a decrease of \$31,986,165 in comparison with the prior year. Of that amount, \$30,569,998 constitutes unreserved fund balance. The Orleans Levee District has designated \$474,971 of its General Fund balance for future expenditures. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to (1) liquidate purchase orders and contracts (encumbrances of \$2,745,596) and (2) pay Bohemia litigation settlements (\$950,716).

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Management's Discussion and Analysis (Continued)

The General Fund is the chief operating fund of the Orleans Levee District. At the end of the current fiscal year, unreserved/undesignated fund balance of the General Fund was \$17,958,213, while total fund balance was \$19,499,356. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balances and total fund balance to total fund expenditures. Unreserved fund balance represents 82.55% of total General Fund expenditures.

The fund balance of the Orleans Levee District's General Fund decreased by \$3,424,265 during the current fiscal year. Key factors in the change are as follows:

- An increase of \$4,956,123 in litigation payments.
- An increase of \$870,073 in revenues reflecting the change in accounting for New Basin Canal revenues, which were previously recorded under Orleans Marina, and Lake Vista Community Center. Both were merged into the General Fund. See note 14 - Restatement of Prior Year Amounts.

The debt service fund has a total fund deficit of (\$649,928). The net decrease in fund balance during the current fiscal year in the debt service fund was \$24,683,085. The major factor to this reduction (\$24,155,000) was the redemption of the Capital Recovery Funding Bonds, Series 1988.

The general improvement fund has a total fund balance of \$2,371,498, which is available for spending for major maintenance and capital improvements. The net increase in fund balance during the current fiscal year in the general improvement fund was \$187,268. The major sources of revenues for this fund are transfers from the General Fund and grants. Revenues for the current fiscal year exceeded major maintenance and capital improvement expenditures.

The special levee improvement fund has a total fund balance of \$13,520,355, which is available for spending for major maintenance and capital improvements of the levee system. The net decrease in fund balance during the current fiscal year in the special levee improvement fund was \$4,066,083. The major sources of revenues for this fund are taxes, grants, and investment income. Major costs include debt service on the levee improvement bonds, series 1986 and series 1996, along with major maintenance and capital improvement expenditures for the levee system. During the current fiscal year, the decline in fund balance reflects substantial major maintenance expenditures for the Lakeshore Drive bridges that cross London Avenue and Orleans Avenue canals, as well as an increase in transfers to the General Fund.

Proprietary funds. The Orleans Levee District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, unrestricted net assets of Orleans Marina amounted to \$4,091,188; South Shore Harbor amounted to \$10,377,407; and those of Lakefront Airport amounted to (\$13,887,033). Total growth/(decline) in net assets for Orleans Marina, South Shore Harbor, and Lakefront Airport was \$391,803, \$3,136,301 and (\$1,449,311), respectively.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Management's Discussion and Analysis (Continued)

Orleans Marina and South Shore Harbor are operating at a profit. Lakefront Airport reported an accounting loss of \$1,449,311. The airport revenues are insufficient to cover its annual depreciation charge of \$1,454,738.

Other factors concerning the finances of these funds have already been addressed in the discussion of the Orleans Levee District's business-type activities.

General Fund Budgetary Highlights

Major differences between the original budget and the final amended budget were as follows:

Revenues

- Decrease of \$200,000 in investment income
- Increase of \$223,391 in rents and leases
- Increase of \$266,209 in royalties

Expenditures

- Increase of \$270,992 for professional services attributable to legal fees
- Increase of \$569,516 for machinery and equipment
- Increase of \$4,906,023 for litigation settlements

Major differences between the actual results and the final amended budget were as follows:

Revenues greater than budgeted

- Ad valorem taxes variance of \$346,669, which represents a 3.45% difference, is within a reasonable range of estimation error.
- Other rents and leases variance of \$405,366 results from the change in accounting for revenues from the New Basin Canal property (note 14).
- Oil and gas royalties variance of \$297,425 is attributable to new mineral leases or related one-time bonus payments.

Expenditures less than budgeted

- Contractual services variance of \$266,219 results from lower than anticipated insurance costs.
- Professional services variance of \$274,103 is attributable to charging legal fees to enterprise funds while budgeting funds in the General Fund.
- Litigation payments variance of \$149,900 reflects the extreme difficulty in estimating such costs.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA

Management's Discussion and Analysis (Continued)

- Cost allocations are not budgeted. These costs relate to both interfund services rendered and to costs of administrative departments of the General Fund being allocated to other funds. The process of charging the benefiting departments for the value of services rendered is consistent with prior years. However, effective with the fiscal year ended June 30, 2003, the district changed the manner of reporting such costs as a separate line on Statements F and H. Previously, such costs were allocated to the personal services and material and supplies line items of the enterprise funds, while the credits for rendering such services reduced the General Fund's personal services and materials and supplies line items. The district believes that this change provides a clearer understanding of direct versus indirect costs.

Capital Assets and Debt Administration

Capital assets. The Orleans Levee District's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounted to \$181,867,074 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, and equipment. The total decrease in the Orleans Levee District's investments in capital assets for the current fiscal year was 0.28% (a 1.35% increase for governmental activities and a 4.28% decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Major upgrade of information systems infrastructure
- Rebuilding the Lakeshore Drive bridges that cross London Avenue and Orleans Avenue canals
- Sale of Stanton Levee Borrow Pit

Orleans Levee District
Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$12,574,748	\$12,717,626	\$19,109,241	\$19,109,241	\$31,683,989	\$31,826,867
Buildings	4,278,538	4,631,147	1,306,454	1,425,496	5,584,992	6,056,643
Improvements other than buildings	2,974,132	3,427,936	29,007,783	31,647,087	31,981,915	35,075,023
Movable property	992,404	635,491	216,159	126,422	1,208,563	761,913
Vehicles	1,414,970	1,134,600	176,258	164,080	1,591,228	1,298,680
Infrastructure	107,379,744	104,113,277			107,379,744	104,113,277
Construction in progress	1,878,510	3,087,787	558,133	151,980	2,436,643	3,239,767
Total	<u>\$131,493,046</u>	<u>\$129,747,864</u>	<u>\$50,374,028</u>	<u>\$52,624,306</u>	<u>\$181,867,074</u>	<u>\$182,372,170</u>

Note: 2002 balances have been restated (note 14).

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis (Continued)

Additional information on the Orleans Levee District's capital assets can be found in note 1-K on pages 41-43 of this report.

Long-term debt. At the end of the current fiscal year, the Orleans Levee District had total bonded debt outstanding of \$78,630,000. The debt of the Orleans Levee District is payable from the avails of the two limited ad valorem taxes: the tax authorized by Article 6, Section 39A of the Louisiana Constitution and the special levee improvement tax authorized by the election of November 1983.

	Orleans Levee District Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$70,000	\$135,000			\$70,000	\$135,000
Public improvement bonds			\$29,525,000	\$30,920,000	29,525,000	30,920,000
Levee improvement bonds	49,035,000	51,580,000			49,035,000	51,580,000
Capital recovery funding bonds		24,155,000				24,155,000
Total	<u>\$49,105,000</u>	<u>\$75,870,000</u>	<u>\$29,525,000</u>	<u>\$30,920,000</u>	<u>\$78,630,000</u>	<u>\$106,790,000</u>

The Orleans Levee District's debt decreased by \$28,160,000 (26.4%) during the current fiscal year due to scheduled debt service payments, and the redemption of the Capital Recovery Funding Bonds, Series 1988.

Additional information on the Orleans Levee District's long-term debt can be found in note 13 on pages 52-55 of this report.

Economic Factors and Next Year's Budget and Rates

The Board of Commissioners of the Orleans Levee District considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Minimal growth in assessed values of property subject to ad valorem taxes
- Expectation of low inflation and low interest rates on the district's investments

The Orleans Levee District does not envision any substantive change in the economic environment or its operations. It therefore prepared the budget using existing revenue and cost parameters. Given the constraints the Orleans Levee District faces in raising revenue, it is expected that next year's results will not improve. Some improvement may be realized should the privatization of Lakefront Airport be achieved.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Management's Discussion and Analysis (Concluded)

Requests for Information

This financial report is designed to provide a general overview of the Orleans Levee District's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Commissioners of the Orleans Levee District, Finance Department, Suite 219, 6001 Stars & Stripes Boulevard, New Orleans, Louisiana 70126.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

**Statement of Net Assets
June 30, 2003**

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS
ASSETS			
Cash and cash equivalents (note 2)	\$14,882,142	\$2,678	\$14,884,820
Investments (note 3)	20,189,752		20,189,752
Receivables (note 4)	700,875	590,565	1,291,440
Internal balances	469,169	(469,169)	
Due from other governments	30,103	303,420	333,523
Inventory	245,076	251,895	496,971
Other Assets	564,158	99,613	663,771
Restricted assets (note 11)	945,249	999,506	1,944,755
Deferred charges		500,751	500,751
Capital assets:			
Land (note 5)	12,574,748	19,109,241	31,683,989
Other capital assets, net of depreciation (note 5)	118,918,298	31,264,787	150,183,085
TOTAL ASSETS	\$169,519,570	\$52,653,287	\$222,172,857
LIABILITIES			
Current liabilities:			
Payables (note 12)	\$1,238,134	\$140,919	\$1,379,053
Contracts payable	1,030,209	126,924	1,157,133
Deferred revenues	50,069	954,448	1,004,517
Due to other governments	545,399		545,399
Accrued compensated absences (note 9)	28,594	7,086	35,680
Other liabilities	5,060	6,192	11,252
Bonds payable (note 13)	2,790,000	1,495,000	4,285,000
Payable from restricted assets - accrued bond interest payable	482,003	290,819	772,822
Noncurrent liabilities:			
Deferred revenues		62,650	62,650
Accrued compensated absences (note 9)	868,252	108,629	976,881
Bonds payable (note 13)	46,315,000	27,727,036	74,042,036
Judgments payable (note 18)	14,171,326		14,171,326
Total Liabilities	67,524,046	30,919,703	98,443,749
NET ASSETS			
Invested in capital assets, net of related debt	82,388,046	21,151,992	103,540,038
Restricted for Bohemia Spillway claims (note 15)	950,716		950,716
Unrestricted	18,656,762	581,592	19,238,354
Total Net Assets	101,995,524	21,733,584	123,729,108
TOTAL LIABILITIES AND NET ASSETS	\$169,519,570	\$52,653,287	\$222,172,857

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

**Statement of Activities
For the Year Ended June 30, 2003**

		PROGRAM REVENUES	
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS
	EXPENSES		
FUNCTIONS/PROGRAMS			
Governmental activities:			
Flood and drainage protection	\$19,039,675	\$915,473	\$790,862
Interest	3,700,099		
Total governmental activities	22,739,774	915,473	790,862
Business-type activities:			
Airport	7,798,002	5,997,965	78,696
Marinas	4,806,370	5,652,687	282,446
Total business-type activities	12,604,372	11,650,652	361,142
Total	\$35,344,146	\$12,566,125	\$1,152,004

General revenues:
Property taxes
Unrestricted intergovernmental revenues
Unrestricted investment earnings
Miscellaneous
Gain (loss) on disposal of capital assets
Litigation payments
Transfers
Total general revenues, litigation payments,
and transfers

CHANGE IN NET ASSETS

NET ASSETS AT BEGINNING OF YEAR, as restated (note 14)

NET ASSETS AT END OF YEAR

The notes to the financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
(\$17,333,340)		(\$17,333,340)
(3,700,099)		(3,700,099)
<u>(21,033,439)</u>	<u>NONE</u>	<u>(21,033,439)</u>
	(\$1,721,341)	(1,721,341)
	1,128,763	1,128,763
<u>NONE</u>	<u>(592,578)</u>	<u>(592,578)</u>
<u>(21,033,439)</u>	<u>(592,578)</u>	<u>(21,626,017)</u>
21,492,916		21,492,916
1,578,908		1,578,908
1,287,071	10,584	1,297,655
983,925	310,503	1,294,428
(429,223)	(622)	(429,845)
(1,327,254)		(1,327,254)
<u>(2,350,906)</u>	<u>2,350,906</u>	
<u>21,235,437</u>	<u>2,671,371</u>	<u>23,906,808</u>
201,998	2,078,793	2,280,791
<u>101,793,526</u>	<u>19,654,791</u>	<u>121,448,317</u>
<u>\$101,995,524</u>	<u>\$21,733,584</u>	<u>\$123,729,108</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS**

**Balance Sheet
June 30, 2003**

	GENERAL FUND	DEBT SERVICE FUND	GENERAL IMPROVEMENT FUND
ASSETS			
Cash and cash equivalents	\$8,114,334	\$1,801,176	
Investments	12,190,222		
Receivables	170,088		
Due from other funds (note 17)	16,726,741		\$2,483,544
Due from other governments			30,103
Inventory	245,076		
Restricted assets (note 11)	945,249		
Other assets	564,158		
TOTAL ASSETS	\$38,955,868	\$1,801,176	\$2,513,647
LIABILITIES			
Payables (note 12)	\$1,226,978		\$858
Contracts payable			141,291
Deferred revenues	50,069		
Due to other funds (note 17)	17,634,006	\$2,445,699	
Due to other governments	545,399		
Other liabilities	60	5,000	
Payable from restricted assets		405	
Total Liabilities	19,456,512	2,451,104	142,149
FUND BALANCES			
Reserved (note 15)	1,066,172		227,856
Unreserved - designated (note 16)	474,971		
Unreserved - undesignated	17,958,213	(649,928)	2,143,642
Total Fund Balances	19,499,356	(649,928)	2,371,498
TOTAL LIABILITIES AND FUND BALANCES	\$38,955,868	\$1,801,176	\$2,513,647

(Continued)

The notes to the financial statements are an integral part of this statement.

Statement C

SPECIAL LEVEE IMPROVEMENT PROJECTS	TOTAL GOVERNMENTAL FUNDS
\$4,966,632	\$14,882,142
7,999,530	20,189,752
114,820	284,908
1,338,589	20,548,874
	30,103
	245,076
	945,249
	564,158
<u>\$14,419,571</u>	<u>\$57,690,262</u>
\$10,298	\$1,238,134
888,918	1,030,209
	50,069
	20,079,705
	545,399
	5,060
	405
<u>899,216</u>	<u>22,948,981</u>
2,402,284	3,696,312
	474,971
<u>11,118,071</u>	<u>30,569,998</u>
<u>13,520,355</u>	<u>34,741,281</u>
<u>\$14,419,571</u>	<u>\$57,690,262</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS
Balance Sheet, 2003**

Reconciliation of fund balances - total government funds to the net assets of the governmental funds -	
Total governmental fund balances	\$34,741,281
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$39,948,281	131,493,046
Other noncurrent assets are not available to pay for current-period expenditures and therefore are deferred in the funds	415,967
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued bond interest payable	(481,598)
Accrued compensated absences	(896,846)
Bonds payable	(49,105,000)
Judgments payable	<u>(14,171,326)</u>
Net Assets of Governmental Activities	<u><u>\$101,995,524</u></u>

(Concluded)

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS**

**Statement of Revenues, Expenditures,
and Changes in Fund Balances
June 30, 2003**

	GENERAL FUND	DEBT SERVICE FUND	GENERAL IMPROVEMENT FUND
REVENUES			
Taxes	\$10,398,222		
Intergovernmental:			
Federal grants	309,674		\$291,230
State revenue sharing	1,578,908		
Other state grants			176,710
Charges for services:			
Bohemia rents and leases	1,700		
Other rents and leases	913,773		
Oil and gas royalties	929,051		
Investment income	416,309	\$654,453	
Miscellaneous	33,045		21,829
Total revenues	<u>14,580,682</u>	<u>654,453</u>	<u>489,769</u>
EXPENDITURES			
Current - flood and drainage protection	14,600,683	64,097	
Debt service:			
Principal		26,765,000	
Interest		3,717,748	
Capital outlay			653,271
Total expenditures	<u>14,600,683</u>	<u>30,546,845</u>	<u>653,271</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(20,001)</u>	<u>(29,892,392)</u>	<u>(163,502)</u>
OTHER FINANCING SOURCES (Uses)			
Transfers in	4,271,163	5,580,470	2,701,676
Transfers out	(2,772,711)	(371,163)	(2,350,906)
Litigation payments	(4,956,123)		
Sales of assets	53,407		
Total other financing sources (uses)	<u>(3,404,264)</u>	<u>5,209,307</u>	<u>350,770</u>
NET CHANGES IN FUND BALANCES	<u>(3,424,265)</u>	<u>(24,683,085)</u>	<u>187,268</u>
FUND BALANCES AT BEGINNING OF YEAR, as restated (note 14)	<u>22,923,621</u>	<u>24,033,157</u>	<u>2,184,230</u>
FUND BALANCES (Deficit) AT END OF YEAR	<u>\$19,499,356</u>	<u>(\$649,928)</u>	<u>\$2,371,498</u>

The notes to the financial statements are an integral part of this statement.

Statement D

SPECIAL LEVEE IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
\$10,966,525	\$21,364,747
7,782	608,686
	1,578,908
	176,710
	1,700
	913,773
	929,051
216,309	1,287,071
	54,874
<u>11,190,616</u>	<u>26,915,520</u>
	14,664,780
	26,765,000
7,300	3,725,048
5,839,964	6,493,235
<u>5,847,264</u>	<u>51,648,063</u>
<u>5,343,352</u>	<u>(24,732,543)</u>
	12,553,309
(9,409,435)	(14,904,215)
	(4,956,123)
	53,407
<u>(9,409,435)</u>	<u>(7,253,622)</u>
(4,066,083)	(31,986,165)
<u>17,586,438</u>	<u>66,727,446</u>
<u>\$13,520,355</u>	<u>\$34,741,281</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS**

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2003**

Net change in fund balance - total governmental funds (Statement D)	(\$31,986,165)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset additions	6,204,632
Depreciation expense	(4,012,206)
In the Statement of Activities, only the gain or loss on the sale or disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of capital assets sold or disposed.	(482,630)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	133,633
Repayment of noncurrent debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Capital obligation principal payments	26,765,000
Judgments payable	3,628,869
In the Statement of Activities, bond interest and compensated absences are accrued, whereas in governmental funds, these expenditures are reported when due:	
Accrued bond interest	24,948
Accrued compensated absences	(104,002)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	29,919
Change in Net Assets of Governmental Activities (Statement B)	<u><u>\$201,998</u></u>

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GENERAL FUND**

**Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2003**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
REVENUES				
Taxes	\$10,051,553	\$10,051,553	\$10,398,222	\$346,669
Intergovernmental:				
Federal grants		121,443	309,674	188,231
State revenue sharing	1,500,000	1,500,000	1,578,908	78,908
Charges for services:				
Bohemia rents and leases			1,700	1,700
Other rents and leases	285,016	508,407	913,773	405,366
Oil and gas royalties	365,417	631,626	929,051	297,425
Investment income	600,000	400,000	416,309	16,309
Miscellaneous	500	28,527	33,045	4,518
Total revenues	<u>12,802,486</u>	<u>13,241,556</u>	<u>14,580,682</u>	<u>1,339,126</u>
EXPENDITURES				
Flood and drainage protection:				
Personal services	10,499,809	10,428,194	10,390,535	37,659
Travel	21,770	31,320	27,001	4,319
Contractual services	2,769,667	2,890,621	2,624,402	266,219
Materials and supplies	918,965	916,579	887,097	29,482
Professional services	1,251,500	1,522,492	1,248,389	274,103
Other charges	35,945	42,353	33,944	8,409
Cost allocations			(1,624,960)	1,624,960
Machinery and equipment	529,400	1,098,916	1,014,275	84,641
Total expenditures	<u>16,027,056</u>	<u>16,930,475</u>	<u>14,600,683</u>	<u>2,329,792</u>
Excess (deficiency) of revenues over expenditures	<u>(3,224,570)</u>	<u>(3,688,919)</u>	<u>(20,001)</u>	<u>3,668,918</u>
OTHER FINANCING SOURCES (Uses)				
Contingencies	(19,500)	(18,577)		18,577
Operating transfers in	3,900,000	3,900,000	4,271,163	371,163
Operating transfers out	(2,659,200)	(2,772,711)	(2,772,711)	
Litigation payments	(200,000)	(5,106,023)	(4,956,123)	149,900
Sales of assets		53,407	53,407	
Total other financing sources (uses)	<u>1,021,300</u>	<u>(3,943,904)</u>	<u>(3,404,264)</u>	<u>539,640</u>
NET CHANGES IN FUND BALANCES	<u>(2,203,270)</u>	<u>(7,632,823)</u>	<u>(3,424,265)</u>	<u>4,208,558</u>
FUND BALANCES AT BEGINNING OF YEAR, as restated (note 14)	<u>22,923,621</u>	<u>22,923,621</u>	<u>22,923,621</u>	<u>NONE</u>
FUND BALANCES AT END OF YEAR	<u>\$20,720,351</u>	<u>\$15,290,798</u>	<u>\$19,499,356</u>	<u>\$4,208,558</u>

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS**

**Balance Sheet
June 30, 2003**

	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
ASSETS				
Current assets:				
Cash	\$2,578	\$100		\$2,678
Receivables (net of allowance for uncollectibles) (note 4)	5,133	276,686	\$308,746	590,565
Due from other funds (note 17)	4,227,555	9,584,318		13,811,873
Due from other governments		297,044	6,376	303,420
Inventory			251,895	251,895
Other assets	22,484	22,274	54,855	99,613
Total current assets	<u>4,257,750</u>	<u>10,180,422</u>	<u>621,872</u>	<u>15,060,044</u>
Noncurrent assets:				
Restricted assets (note 11)		999,506		999,506
Deferred charges		500,751		500,751
Land (note 5)	301,339	3,358,103	15,449,799	19,109,241
Other capital assets (net of accumulated depreciation) (note 5)	752,234	19,957,782	10,554,771	31,264,787
Total noncurrent assets	<u>1,053,573</u>	<u>24,816,142</u>	<u>26,004,570</u>	<u>51,874,285</u>
TOTAL ASSETS	<u>\$5,311,323</u>	<u>\$34,996,564</u>	<u>\$26,626,442</u>	<u>\$66,934,329</u>
LIABILITIES				
Liabilities:				
Current liabilities:				
Payables (note 12)	\$18,255	\$12,525	\$110,139	\$140,919
Contracts payable	26,070	59,839	41,015	126,924
Deferred revenues	104,100	844,177	6,171	954,448
Due to other funds (note 17)			14,281,042	14,281,042
Accrued compensated absences (note 9)	74	2,610	4,402	7,086
Other liabilities	2,667	3,525		6,192
Bonds payable (note 13)		1,495,000		1,495,000
Payable from restricted assets		290,819		290,819
Total current liabilities	<u>151,166</u>	<u>2,708,495</u>	<u>14,442,769</u>	<u>17,302,430</u>
Noncurrent liabilities:				
Deferred revenues		62,650		62,650
Accrued compensated absences (note 9)	15,396	27,127	66,106	108,629
Bonds payable (note 13)		27,727,036		27,727,036
Total noncurrent liabilities	<u>15,396</u>	<u>27,816,813</u>	<u>66,106</u>	<u>27,898,315</u>
Total Liabilities	<u>166,562</u>	<u>30,525,308</u>	<u>14,508,875</u>	<u>45,200,745</u>
NET ASSETS				
Invested in capital assets (net of related debt)	1,053,573	(5,906,151)	26,004,570	21,151,992
Unrestricted (deficit)	4,091,188	10,377,407	(13,887,003)	581,592
Total Net Assets	<u>5,144,761</u>	<u>4,471,256</u>	<u>12,117,567</u>	<u>21,733,584</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$5,311,323</u>	<u>\$34,996,564</u>	<u>\$26,626,442</u>	<u>\$66,934,329</u>

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS**

**Statement of Revenues, Expenses,
and Changes in Fund Net Assets
For the Year Ended June 30, 2003**

	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES				
Charges for services:				
Rentals	\$847,539	\$616,182	\$1,009,908	\$2,473,629
Fuel farm sales and fees			4,682,174	4,682,174
Gaming fees		4,188,966	305,883	4,494,849
Total charges for services	847,539	4,805,148	5,997,965	11,650,652
Miscellaneous	152,089	97,755	60,659	310,503
Total operating revenues	999,628	4,902,903	6,058,624	11,961,155
OPERATING EXPENSES				
Personal services	188,587	299,674	589,843	1,078,104
Travel		2,711	517	3,228
Contractual services	90,884	142,002	595,254	828,140
Materials and supplies:				
Fuel farm			4,027,912	4,027,912
Other	15,542	43,393	131,917	190,852
Professional services	74,431	10,543	246,477	331,451
Other charges	10,078	7,767	122	17,967
Cost allocations	135,103	337,032	488,227	960,362
Depreciation	92,681	1,442,922	1,454,738	2,990,341
Major maintenance	29,239	75,713	262,995	367,947
Total operating expenses	636,545	2,361,757	7,798,002	10,796,304
NET OPERATING INCOME (Loss)	363,083	2,541,146	(1,739,378)	1,164,851
NONOPERATING REVENUES (Expenses)				
Investment income	28	10,556		10,584
Gain (loss) on disposal of capital assets		(230)	(392)	(622)
Debt service interest and bank charges		(1,808,068)		(1,808,068)
Federal and state grants		283,819	79,986	363,805
Total nonoperating revenues (expenses)	28	(1,513,923)	79,594	(1,434,301)
NET INCOME (Loss) BEFORE CONTRIBUTIONS AND TRANSFERS	363,111	1,027,223	(1,659,784)	(269,450)
CONTRIBUTIONS AND TRANSFERS				
Capital contributions from other funds			700	700
Capital contributions to other funds	(728)	(645)	(1,990)	(3,363)
Operating transfers in	29,420	2,109,723	211,763	2,350,906
Total contributions and transfers	28,692	2,109,078	210,473	2,348,243

(Continued)

The accompanying notes are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS
Statement of Revenues, Expenses,
and Changes in Fund Net Assets, 2003**

	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
CHANGES IN NET ASSETS	\$391,803	\$3,136,301	(\$1,449,311)	\$2,078,793
TOTAL NET ASSETS AT BEGINNING OF YEAR as restated (note 14)	<u>4,752,958</u>	<u>1,334,955</u>	<u>13,566,878</u>	<u>19,654,791</u>
TOTAL NET ASSETS AT END OF YEAR	<u><u>\$5,144,761</u></u>	<u><u>\$4,471,256</u></u>	<u><u>\$12,117,567</u></u>	<u><u>\$21,733,584</u></u>

(Concluded)

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS**

**Statement of Cash Flows
For the Year Ended June 30, 2003**

	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
CASH FLOW FROM OPERATING ACTIVITIES:				
Receipts from customers	\$983,828	\$4,299,060	\$6,094,260	\$11,377,148
Payments to suppliers	(316,545)	(225,854)	(5,713,154)	(6,255,553)
Payments to employees	(315,139)	(621,302)	(1,120,296)	(2,056,737)
Internal activity-payments to other funds	(370,268)	(2,087,564)	592,669	(1,865,163)
Net cash provided (used) by operating activities	(18,124)	1,364,340	(146,521)	1,199,695
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Contribution to other funds	(728)	(645)	(1,290)	(2,663)
Operating transfers from other funds	29,420	2,109,723	211,763	2,350,906
Net cash provided by noncapital financing activities	28,692	2,109,078	210,473	2,348,243
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	(8,838)	(19,931)	(3,657)	(32,426)
Purchase of capital assets	(1,730)	(566,248)	(140,281)	(708,259)
Proceeds from federal and state grants		283,819	79,986	363,805
Principal paid on capital debt		(1,299,267)		(1,299,267)
Interest paid on capital debt		(1,821,792)		(1,821,792)
Net cash provided (used) by capital and related financing activities	(10,568)	(3,423,419)	(63,952)	(3,497,939)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest	28	10,556		10,584
Net cash provided by investing activities	28	10,556	NONE	10,584
Net increase in cash	28	60,555	NONE	60,583
Cash balances, beginning	2,550	939,051	NONE	941,601
Cash balances, ending	\$2,578	\$999,606	NONE	\$1,002,184
Cash	\$2,578	\$100		\$2,678
Restricted cash, including time deposits		999,506		999,506
Total cash, end of year	\$2,578	\$999,606	NONE	\$1,002,184

(Continued)

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS
Statement of Cash Flows, 2003**

	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
RECONCILIATION OF OPERATING INCOME (Loss) TO NET CASH PROVIDED (Used) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$363,083	\$2,541,146	(\$1,739,378)	\$1,164,851
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Cash flows reported in other categories:				
Depreciation expense	92,681	1,442,922	1,454,738	2,990,341
Change in assets and liabilities:				
Receivables, net	56,348	(284,129)	53,931	(173,850)
Inventories			40,801	40,801
Prepaid expenses and other assets	(1,309)	6,094	74,196	78,981
Receivables from other funds	(370,269)	(2,087,564)		(2,457,833)
Accounts and other payables	(158,658)	(254,129)	(623,478)	(1,036,265)
Payables to other funds			592,669	592,669
Net cash provided (used) by operating activities	<u>(\$18,124)</u>	<u>\$1,364,340</u>	<u>(\$146,521)</u>	<u>\$1,199,695</u>

(Concluded)

The notes to the financial statements are an integral part of this statement.

ORLEANS LEVEE DISTRICT STATE OF LOUISIANA

Notes to the Financial Statements
As of and for the Year Ended June 30, 2003

INTRODUCTION

The Orleans Levee District and its board of commissioners were established by Act 93 of the 1890 General Assembly (Legislature) of the State of Louisiana. The board has primary responsibility for the operation and maintenance of levees, embankments, seawalls, jetties, breakwaters, water basins, and other hurricane and flood protection improvements surrounding the City of New Orleans, including the southern shores of Lake Pontchartrain and along the Mississippi River. The board is responsible for the maintenance of almost 129 miles of levees and floodwalls. To enhance flood protection, the Orleans Levee District and the United States Corps of Engineers participate in several joint flood protection projects (note 22) relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan).

Act 292 of the 1928 Louisiana Legislature authorized the board to dedicate, construct, operate, and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The board owns and operates a general aviation airport, the New Orleans Lakefront Airport. The board also owns and operates the Orleans Marina and the South Shore Harbor Marina. The Orleans Marina has 352 boat slips. The South Shore Harbor Marina, which was officially dedicated September 19, 1987, has a 43-acre calm water basin, 447 open boat slips, and 26 covered boat slips. In addition, Orleans Levee District receives certain rents and gaming related monies from a steamboat operator located at the South Shore Harbor Marina. The levee district has approximately 255 full-time employees, including 53 police officers and 12 firefighters.

The levee district is governed by a board of eight commissioners, six of whom are appointed by the governor. Two commissioners serve in an ex-officio capacity, the mayor of the City of New Orleans or his designee and one member appointed by the mayor from a list of three city councilmen selected by the members of the city council of New Orleans.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the Codification of Governmental Accounting and Financial Reporting Standards, published by the GASB. The levee district applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The levee district is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the majority of commissioners and can impose his will upon the levee district. The accompanying financial statements present information only as to the transactions of the Orleans Levee District, a component unit of the State of Louisiana. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements.

C. FUNDS

The levee district uses fund accounting to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds of the levee district are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows:

Governmental Funds

Governmental funds account for all or most of the levee district's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the levee district. The following are the levee district's primary governmental funds:

1. General Fund--the primary operating fund of the levee district and it accounts for all financial resources, except those required to be accounted for in other funds.
2. Debt Service Fund--accounts for transactions relating to resources retained and used for the payment of general long-term debt principal, interest and related costs.
3. Capital projects funds--account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds of the levee district consist of enterprise funds that account for the operations of the marinas and airport. The intent of the levee district for these facilities is (a) that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets (Statement A) and the Statement of Activities (Statement B) display information about the reporting government as a whole. These statements include all the financial activities of the levee district. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, certain interfund activity and balances were eliminated or reclassified.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues - Program revenues included in the Statement of Activities (Statement B) derive directly from parties outside the levee district's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the levee district's general revenues.

Allocation of Indirect Expenses - The levee district reports all direct expenses by function in the Statement of Activities (Statement B). Direct expenses are those that are clearly identifiable with a function. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function. Interest on

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund financial statements report detailed information about the levee district. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The levee district considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes and the related state revenue sharing (which is based on population and homesteads in the parish) are recorded in the year the taxes are due and payable. As provided by Louisiana Revised Statute (R.S.) 47:1997(b), ad valorem taxes are assessed for the calendar year, become due on the first day of January each year, and become delinquent on the first day of February. The taxes are generally collected in January, February, March, and April of each year.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Federal and state entitlements are recorded as unrestricted grants-in-aid when available and measurable. Expenditure-driven federal and state grants are recorded as restricted grants-in-aid when the reimbursable expenditures have been incurred.

Rentals and oil and gas royalties are recorded when earned.

Investment income includes both the interest earned on cash and investments and the change in the fair value of investments. GASB Statement No. 31 requires that investments be reported at fair value on the balance sheet. The change in fair value of investments from the beginning to the end of the current fiscal year is the net increase (decrease) in the fair value of investments and is included as a component of investment income.

Substantially all other revenues are recorded when received.

Expenditures

In the fund financial statements, expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual and sick leave, which is recognized when paid, and interest on general long-term debt, which is not recognized until due.

Other Financing Sources (Uses)

Other financing sources (uses), representing transfers between funds that are not expected to be repaid and the sale of assets are recognized when they become available and measurable. Litigation settlements are recognized in the period in which they occur.

Proprietary funds are accounted for using a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the balance sheet. The proprietary funds - enterprise funds use the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Major revenues and expenses are recorded as follows:

Revenues

Rentals and fuel farm sales are recorded as operating revenues in the accounting period in which they are earned.

Gaming fees are recorded as operating revenues in the accounting period in which they are earned.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Investment income and federal and state grants are recognized as nonoperating revenue in the accounting period in which they are earned.

Expenses

Salaries are recognized as expenses in the accounting period earned by employees.

Depreciation expense on all exhaustible capital assets is determined by the straight-line method using the estimated useful life and is recorded as an operating expense during the accounting period.

Substantially all other expenses are recognized when incurred.

E. BUDGET PRACTICES

The levee district prepares its budget in accordance with R.S. 38:318. The budget is prepared on a modified accrual basis for the General Fund. The budget for the fiscal year ended June 30, 2003, was adopted on February 20, 2002, and subsequent amendments were adopted on February 19, 2003, April 16, 2003, and June 18, 2003. Formal budget integration is employed as a management control device during the year for the General Fund. The Debt Service Fund is not budgeted; however, operating transfers relating to debt service are budgeted in the General Fund. All appropriations lapse at year-end, and any encumbrances outstanding at year-end in the governmental funds are included in the next year's budget with funds appropriated in that year to finance them.

**F. CASH AND CASH EQUIVALENTS
AND INVESTMENTS**

Cash includes petty cash and demand deposits. Cash equivalents include amounts in time deposits, money market mutual funds, and United States Treasury bills. Under state law, the Orleans Levee District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the levee district may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the levee district may invest in United States Treasury obligations, United States government agency obligations, and direct security repurchase agreements, or in eligible mutual funds that invest in these securities. Investments are stated at fair value.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

G. INVENTORY

The levee district maintains a perpetual inventory system for general government materials and supplies and fuel purchased for resale by the New Orleans Lakefront Airport (enterprise fund). The general government inventory is recorded as an expenditure in the General Fund at the time the individual items are withdrawn from stock. The general government inventory is valued at average cost. The year-end balance consists of flood protection items that could be needed at any time. The fuel purchases are recorded as an expense in the previously mentioned enterprise fund when consumed. The fuel purchases are valued at cost using the first-in, first-out (FIFO) method.

H. RESTRICTED ASSETS

Restricted assets in governmental activities consist of funds received from the Federal Emergency Management Assistance Agency (FEMA) for repairs due to storm damage and funds received as a result of forfeiture and seizure by the levee district police department, all within the General Fund. These funds are classified as restricted assets since their use is limited.

Restricted assets presented in the financial statements for business-type activities represent proceeds from funds set aside for payment of South Shore Harbor debt. These funds are classified as restricted assets since their use is limited by applicable bond indentures.

I. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is employed as an extension of formal budget integration in the General Fund and capital projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balances in the fund financial statements since they do not constitute available spendable resources.

J. DEFERRED CHARGES

Deferred charges consist of unamortized bond issue costs. These costs are capitalized and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method.

K. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure (such as bridges, seawalls, roads, and levees), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

at their estimated fair value at the date of donation. The levee district maintains a threshold level of \$1,000 or more for capitalizing equipment.

Capital assets used in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary fund statements. No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	40
Furniture and fixtures	7-10
Vehicles	7
Equipment	7-10
Infrastructure	40

Flood Protection Systems

Resources of the United States Army Corps of Engineers (USACE), the State of Louisiana, the Orleans Levee District, and the City of New Orleans as local participants are committed to protecting lives and property of the residents and businesses of the City of New Orleans from the potential for flooding posed by the Mississippi River and its tributaries, and from Lake Pontchartrain.

The Orleans Levee District and the Corps of Engineers have together invested \$385 million in flood control systems in the Lake Pontchartrain and Vicinity Hurricane Protection Plan for Orleans Parish. Major elements of the protection program include (1) levees, floodwalls and floodgates along the lakefront, Mississippi River Gulf Outlet canal and along the three critical outfall canals, (2) a seawall at the shores of Lake Pontchartrain, and (3) barrier levees on the outskirts of the city. The current height of these levees is 14 to 18 feet.

The USACE has spent \$19.9 million on 27.5 miles of Mississippi River levees, floodwalls, floodgates, and other flood control structures.

In accordance with accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board Statement No. 34, governments are required to identify infrastructure assets, including flood control systems. While the Orleans Levee District manages and monitors the levees, flood control structures and bridges comprising the flood protection system, the USACE has the primary responsibility for major maintenance and construction. Accordingly, the

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Orleans Levee District has excluded from its financial statements those costs incurred on assets owned by others or substantially built and maintained by others.

Only those portions of the flood protection system that were funded by the district's 1984 bond issue have been capitalized. Those costs are included in the financial statements and amount to \$53,481,035 relating to investments in levees, floodwalls, floodgates, flood control structures, et cetera.

Other Infrastructure Assets

In addition to the \$53,481,035 noted above, the financial statements reflect investments in roadways, bridges, parks and recreation, and buildings. Total cost of infrastructure assets at June 30, 2003, totaled \$128,054,113. The components of this total are as follows:

Bridges/roadways	\$70,655,261
Parks/recreation	1,608,249
Buildings	2,309,568
Subtotal - other infrastructure assets	<u>74,573,078</u>
Flood protection systems	<u>53,481,035</u>
Total - infrastructure assets	<u><u>\$128,054,113</u></u>

Accumulated depreciation on infrastructure assets at June 30, 2003, totals \$20,674,369.

L. DEFERRED REVENUES

The levee district reports deferred revenues on its fund financial statement balance sheet. Deferred revenues arise when resources are received by the levee district before it has a legal claim to them, as when grant monies are received before the incurrence of qualifying expenditures. In subsequent periods, when the levee district has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

M. COMPENSATED ABSENCES

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. In addition, it is the levee district's policy to pay any accumulated compensatory leave at the employee's hourly rate of pay at the time of termination.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the governmental fund financial statements when leave is actually taken. The government-wide financial statements present the cost of accumulated annual leave as a liability. There is no liability for unpaid accumulated sick leave since the levee district does not have a policy to pay this amount when employees separate from service.

N. LONG-TERM OBLIGATIONS

The government-wide financial statements and the proprietary fund statements present long-term debt and other long-term obligations. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as additions to the face amount of bonds payable and bond discounts are presented as reductions to the face amount of bonds payable.

**O. POSTEMPLOYMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The Orleans Levee District provides certain continuing health care and life insurance benefits for its retired employees. The levee district recognizes the cost of providing these retiree benefits as an expenditure when paid during the year.

P. DEFERRED COMPENSATION PLAN

Certain employees of the Orleans Levee District participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

Q. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

R. RESTRICTED NET ASSETS

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

- (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
- (2) imposed by law through constitutional provisions or enabling legislation.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

S. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures/expenses, initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

T. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At June 30, 2003, the levee district has cash and cash equivalents (book balances), totaling \$16,829,575, which consist of the following:

Cash:	
Petty cash	\$700
Demand deposits	472,460
Subtotal	<u>473,160</u>
Cash equivalents:	
Time deposits	2,000,000
Money market mutual funds	5,356,970
U.S. Treasury bills	8,999,445
Subtotal	<u>16,356,415</u>
Total cash and cash equivalents	<u><u>\$16,829,575</u></u>

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The deposits at June 30, 2003, are secured as follows:

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

	Deposits in Bank Accounts			Total
	Cash	Certificates of Deposit	Other	
Deposits in Bank Accounts per Balance Sheet	<u>\$472,460</u>	<u>\$2,000,000</u>	<u>NONE</u>	<u>\$2,472,460</u>
Collected Bank Balances:				
a. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name (Category 1)	\$121,176	\$100,000		\$221,176
b. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name (Category 2)	<u>1,803,443</u>	<u>1,900,000</u>		<u>3,703,443</u>
Total Bank Balances	<u>\$1,924,619</u>	<u>\$2,000,000</u>	<u>NONE</u>	<u>\$3,924,619</u>

The \$5,356,970 of money market mutual funds consist of shares of mutual funds that are invested in direct obligations of the United States Department of Treasury, other federal governmental agencies, and repurchase agreements involving these securities that are not required to be classified as to category of credit risk by GASB Codification Section 150.165.

The \$8,999,445 of U.S. Treasury bills have an original maturity of three months or less and are defined as cash equivalents according to GASB Codification Section 2450.109 but are classified as investments for purposes of credit risk.

3. INVESTMENTS

At June 30, 2003, investments of the levee district total \$29,189,197, which is shown on Statement A as \$20,189,752 of investments, and \$8,999,445 of cash equivalents (U.S. Treasury bills).

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

A summary of levee district investments follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
U.S. Treasury bills		\$8,999,445		\$8,999,445	\$8,999,445
Federal Home Loan Mortgage Federal National Mortgage Association		10,752,139		10,752,139	10,752,139
Governmental National Mortgage Association		2,873,639		2,873,639	2,873,639
		<u>6,563,974</u>		<u>6,563,974</u>	<u>6,563,974</u>
Total investments	<u>NONE</u>	<u>\$29,189,197</u>	<u>NONE</u>	<u>\$29,189,197</u>	<u>\$29,189,197</u>

Investments of governmental securities reflected in the governmental funds and the enterprise funds are stated at fair value as required by GASB Statement No. 31. The levee district used quoted market values to determine the fair value of the investments. These investments are direct obligations of the United States Department of Treasury and other federal governmental agencies. These investments are considered uninsured and unregistered but are held in the name of the entity. These investments are classified as GASB Risk Category 2 of Statement No. 3 in applying the credit risk of GASB Codification Section 150.164.

4. RECEIVABLES

At June 30, 2003, the levee district has receivable balances totaling \$1,291,440 as follows:

<u>Class of Receivables</u>	<u>Total Governmental Activities</u>	<u>Total Business-Type Activities</u>	<u>Total</u>
Ad valorem taxes	\$639,657		\$639,657
Fuel farm sales and fees		\$292,996	292,996
Rents, leases, and other	<u>61,218</u>	<u>297,569</u>	<u>358,787</u>
Total	<u>\$700,875</u>	<u>\$590,565</u>	<u>\$1,291,440</u>

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance (restated) July 1, 2002	Additions	Deletions	Balance June 30, 2003
Government activities:				
Capital assets, not being depreciated:				
Land	\$12,717,626		\$142,878	\$12,574,748
Construction in progress	3,087,786	\$5,160,256	6,369,532	1,878,510
Total capital assets, not being depreciated	15,805,412	5,160,256	6,512,410	14,453,258
Capital assets, being depreciated:				
Buildings	10,061,647			10,061,647
Improvements other than buildings	10,832,135		517,016	10,315,119
Equipment	8,041,689	1,083,588	568,087	8,557,190
Infrastructure	121,684,581	6,369,532		128,054,113
Total capital assets, being depreciated	150,620,052	7,453,120	1,085,103	156,988,069
Less accumulated depreciation for:				
Buildings	5,430,500	352,609		5,783,109
Improvements other than buildings	7,404,199	158,864	222,076	7,340,987
Equipment	6,271,597	430,715	552,496	6,149,816
Infrastructure	17,571,304	3,103,065		20,674,369
Total accumulated depreciation	36,677,600	4,045,253	774,572	39,948,281
Total capital assets being depreciated, net	113,942,452	3,407,867	310,531	117,039,788
Government activities capital assets, net	<u>\$129,747,864</u>	<u>\$8,568,123</u>	<u>\$6,822,941</u>	<u>\$131,493,046</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$19,109,241			\$19,109,241
Construction in progress	151,980	\$578,959	\$172,806	558,133
Total capital assets, not being depreciated	19,261,221	578,959	172,806	19,667,374
Capital assets, being depreciated:				
Buildings	7,288,308			7,288,308
Improvements other than buildings	78,719,545	173,157		78,892,702
Equipment	1,167,391	165,291	41,866	1,290,816
Total capital assets, being depreciated	87,175,244	338,448	41,866	87,471,826
Less accumulated depreciation for:				
Buildings	5,862,812	119,042		5,981,854
Improvements other than buildings	47,072,458	2,812,461		49,884,919
Equipment	876,889	59,392	37,882	898,399
Total accumulated depreciation	53,812,159	2,990,895	37,882	56,765,172
Total capital assets, being depreciated, net	33,363,085	(2,652,447)	3,984	30,706,654
Business-type activities capital assets, net	<u>\$52,624,306</u>	<u>(\$2,073,488)</u>	<u>\$176,790</u>	<u>\$50,374,028</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

The beginning balances at July 1, 2002, have been restated to reflect the prior period adjustments (note 14) for Orleans Marina (New Basin Canal), Lake Vista Community Center, and construction in progress.

Depreciation expense for the year ended June 30, 2003, was charged to the following government functions:

Government activities - flood and drainage protection	<u>\$4,012,206</u>
Business-type activities:	
Marinas	\$1,535,603
Airport	<u>1,454,738</u>
Total depreciation expense - business-type activities	<u>\$2,990,341</u>

6. RETIREMENT SYSTEM

Substantially all employees of the levee district are members of the Louisiana State Employees Retirement System (System), a cost sharing, multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time levee district employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the levee district is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2003, was 14.1% of annual covered payroll, increased from 13% required in fiscal years ended June 30, 2002, and 2001. The levee district contributions to the System for the years ending June 30, 2003, 2002, and 2001, were \$933,684, \$870,570, and \$888,538, respectively, equal to the required contributions for each year.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

7. WORKERS' COMPENSATION INSURANCE PROGRAM

Effective July 1, 1998, the levee district discontinued its workers' compensation self-insurance plan and obtained conventional coverage from the Louisiana Workers' Compensation Corporation. All open claims as of June 30, 1998, have been paid from the self-insurance plan. At June 30, 2003, all claims have been closed. However, all eligible medical expenses will continue to be paid until finalized. The total cost of eligible run over claims for the 2003 fiscal year was \$503. The levee district has a designation of fund balance in the General Fund for the self-insured workers' compensation plan of \$100,000 (Note 16) at June 30, 2003.

From July 1, 1998, through June 30, 2002, the levee district obtained coverage from the Louisiana Workers' Compensation Corporation under a paid-loss retrospective plan. The following refunds were received during the fiscal year ending June 30, 2003: \$8,264 and \$231 in return premium as a result of the audit for the policy periods ending June 30, 2002, and June 30, 2001, respectively; and \$8,960 from the first retrospective adjustment for the policy period ending June 30, 2002. The audited premiums for the policy period ending June 30, 2001, resulted in an additional premium of \$19,858.

Commencing July 1, 2002, the levee district continued its workers' compensation coverage with the Louisiana Workers' Compensation Corporation for a one-year period. This workers' compensation program is a conventional plan. For the fiscal year ended June 30, 2003, the levee district paid a total premium of \$454,602 to the Louisiana Workers' Compensation Corporation. The standard premium was based on loss experience and projected annual payroll of \$8,362,033. The audited annual premium, which has yet to be determined, is based on actual gross payroll by workers' compensation class code for the policy period. Annually, the costs of the program are budgeted based on advisement by the incumbent insurance agent.

**8. POSTEMPLOYMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

Substantially all levee district employees become eligible for postemployment health care, dental, and life insurance benefits if they reach normal retirement age while working for the levee district. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the levee district. For 2003, the cost of providing those benefits for the 84 retirees totaled \$289,741.

9. COMPENSATED ABSENCES

As of June 30, 2003, employees of the levee district have accumulated and vested \$1,012,561 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The current portion estimated to be paid within the next fiscal year is \$28,594 for governmental activities and \$7,086 for business-type activities. The noncurrent amount of \$868,252 is recorded for governmental activities and \$108,629 for business-type activities.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

10. LESSOR OPERATING LEASES

The Orleans Levee District leases boat slips, boathouses, and building space to certain parties under operating leases. At June 30, 2003, the total cost of the land, buildings, and improvements leased to others by both the General Fund and Enterprise Funds totals \$107,719,535, with \$57,042,918 of related accumulated depreciation. Future minimum rental payments to be received under these operating leases are as follows:

Fiscal year ending June 30:	
2004	\$8,346,808
2005	8,480,354
2006	8,662,704
2007	8,733,645
2008	<u>8,882,038</u>
Total	<u><u>\$43,105,549</u></u>

11. RESTRICTED ASSETS

Restricted assets at June 30, 2003, shown on Statement A, amounted to \$1,944,755 of cash held in money market mutual funds; \$945,249 in governmental activities and \$999,506 in business-type activities. Restricted assets in governmental activities consist of \$944,958 received from FEMA for repairs due to storm damage, and \$291 of funds received as a result of forfeiture and seizure by the levee district police department, all within the General Fund. Restricted assets in business-type activities consist of cash with fiscal agents held in money market mutual funds for the South Shore Harbor Marina Fund.

12. PAYABLES

At June 30, 2003, the levee district has payables totaling \$1,379,053 as follows:

<u>Class of Payables</u>	<u>Governmental Funds</u>		<u>Total Governmental Payables</u>	<u>Total Business-type Payables</u>	<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>			
Accounts payable	\$1,003,479	\$11,156	\$1,014,635	\$118,363	\$1,132,998
Salaries payable	198,521		198,521	19,279	217,800
Payroll deductions and employer's payable	<u>24,978</u>		<u>24,978</u>	<u>3,277</u>	<u>28,255</u>
Total	<u><u>\$1,226,978</u></u>	<u><u>\$11,156</u></u>	<u><u>\$1,238,134</u></u>	<u><u>\$140,919</u></u>	<u><u>\$1,379,053</u></u>

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

13. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2003:

	Long-Term Obligations Payable at July 1, 2002	Additions	Deductions and Retirement	Long-Term Obligations Payable at June 30, 2003	Due Within One Year
Governmental activities:					
General obligation bonds	\$135,000		(\$65,000)	\$70,000	\$70,000
Capital Recovery Funding Bonds	24,155,000		(24,155,000)		
Levee Improvement:					
Fixed Rate Refunding Bonds, Series 1986	46,175,000		(2,230,000)	43,945,000	2,385,000
Variable Rate Refunding Bonds, Series 1996	5,405,000		(315,000)	5,090,000	335,000
Total general obligation bonds payable	75,870,000	NONE	(26,765,000)	49,105,000	2,790,000
Compensated Absences	792,844	\$104,002		896,846	28,594
Judgments	17,800,195		(3,628,869)	14,171,326	
Governmental activity long-term liabilities	<u>\$94,463,039</u>	<u>\$104,002</u>	<u>(\$30,393,869)</u>	<u>\$64,173,172</u>	<u>\$2,818,594</u>
Business-type activities:					
Public Improvement:					
Fixed Rate Refunding Bonds, Series 1986	\$28,650,000		(\$1,275,000)	\$27,375,000	\$1,365,000
Variable Rate Refunding Bonds, Series 1996	2,270,000		(120,000)	2,150,000	130,000
Total business-type activity bonds	30,920,000	NONE	(1,395,000)	29,525,000	1,495,000
Less:					
Unamortized discounts	(270,565)		20,811	(249,754)	
Unamortized loss on refunding	(60,958)		7,748	(53,210)	
Total business-type activity bonds payable	30,588,477	NONE	(1,366,441)	29,222,036	1,495,000
Compensated absences	165,853	NONE	(50,138)	115,715	7,086
Business-type activity long-term liabilities	<u>\$30,754,330</u>	<u>NONE</u>	<u>(\$1,416,579)</u>	<u>\$29,337,751</u>	<u>\$1,502,086</u>

The additions and reductions to compensated absences during the 2002-2003 fiscal year represent the net change during the year because the additions and deductions could not readily be determined.

Litigation liabilities (judgments) are further discussed in Note 18.

General obligation bonds, demand bonds, and refunding bonds are comprised of the following individual issues:

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

A. GENERAL OBLIGATION BONDS

General obligation bonds are secured by the full faith, credit, and resources of the Orleans Levee District. General obligation bonds payable at the beginning of the year were \$135,000. Payments of \$65,000 reduced this amount to \$70,000 at June 30, 2003. This is the outstanding balance of the \$1,000,000 Public Improvement Bonds Series 1973-A issued to improve the New Orleans Lakefront Airport. The bonds are due in one future installment of \$70,000 on October 1, 2003. Interest to maturity amounts to \$1,890 at a rate of 5.4% through October 1, 2003. This obligation was not transferred to the New Orleans Lakefront Airport Enterprise Fund because the debt service will continue to be financed by resources of the General Fund.

B. CAPITAL RECOVERY FUNDING BONDS

On March 4, 1988, the Orleans Levee District issued \$25,000,000 of Capital Recovery Funding Bonds, which were secured on a junior lien basis, subject to certain prior claims as provided by the indenture and pledge of (1) the 5.46 mill ad valorem tax, (2) the 6.55 mill ad valorem tax, and (3) other security as provided in the indenture. The bonds had an interest rate that could not be less than 3.5% or more than 13%. These bonds were issued to reimburse the levee district for prior capital expenditures. Capital Recovery Funding Bonds payable at the beginning of the year were \$24,155,000. The bonds were retired on February 24, 2003.

**C. LEVEE IMPROVEMENT FIXED
RATE BONDS, SERIES 1986**

On August 28, 1986, the levee district issued \$64,920,000 in Levee Improvement Variable Rate Demand Bonds, which were issued to advance refund \$53,111,097 of outstanding Levee Improvement Refunding Bonds, Series 1985. On December 1, 1995, the levee district converted \$56,780,000 of the Levee Improvement Variable Rate Demand Bonds to a fixed interest rate of 5.95%. Levee Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were \$46,175,000. Payments of \$2,230,000 reduced this amount to \$43,945,000 at June 30, 2003. The Levee Improvement Fixed Rate Refunding Bonds, Series 1986, are secured by the 6.55 mill ad valorem tax and the scheduled payments of principal and interest are guaranteed under insurance policies issued by Financial Security Assurance, Inc. The interest to maturity amounts to \$17,921,251 at a rate of 5.95% through November 1, 2014. The bonds are due in future annual installments of \$2,385,000 to \$5,295,000, beginning November 1, 2003, through November 1, 2014.

**D. LEVEE IMPROVEMENT VARIABLE RATE
REFUNDING BONDS, SERIES 1996**

On October 29, 1996, the levee district issued \$6,775,000 in Levee Improvement Variable Rate Refunding Bonds, Series 1996. The proceeds of this issue, along with other funds, were used to refund the remaining Levee Improvement Fixed Rate

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Refunding Bonds, Series 1987 on November 1, 1996. The Levee Improvement Variable Rate Refunding Bonds payable at the beginning of the year were \$5,405,000. Payments of \$315,000 reduced the amount to \$5,090,000 at June 30, 2003. The Levee Improvement Variable Rate Refunding Bonds, Series 1996, are secured by a junior claim on the 6.55 mill ad valorem tax. These bonds are due in future annual installments of \$335,000 to \$575,000 beginning November 1, 2003, through November 1, 2014. The bonds, which have a maximum rate of 14%, carry an initial rate of interest of 5.4% through November 1, 2003. The interest rates will be reset on November 1, 2003, and November 1, 2010, based on the same formula that yielded 5.4% for the initial period. The interest to maturity, calculated using 5.4 for the initial period, amounts to \$2,145,430 through November 1, 2014.

**E. PUBLIC IMPROVEMENT FIXED RATE
BONDS, SERIES 1986**

On August 29, 1986, the levee district issued \$36,225,000 in Public Improvement Variable Rate Demand Bonds, which were issued to advance refund \$29,320,000 of outstanding Marina Refunding Bonds, Series 1985. On December 1, 1995, the levee district converted \$34,780,000 of the Public Improvement Variable Rate Demand Bonds to a fixed interest rate of 5.95%. Public Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were \$28,650,000. Payments of \$1,275,000 reduced this amount to \$27,375,000 at June 30, 2003. The Public Improvement Fixed Rate Bonds, Series 1986, are secured by the 5.46 mill ad valorem tax, and the scheduled payment of principal and interest are guaranteed under insurance policies issued by Financial Security Assurance, Inc. The interest to maturity amounts to \$12,107,209 at a rate of 5.95% through November 1, 2015. The bonds are due in future annual installments of \$1,365,000 to \$3,065,000, from November 1, 2003, through November 1, 2015.

**F. PUBLIC IMPROVEMENT VARIABLE RATE
REFUNDING BONDS, SERIES 1996**

On October 29, 1996, the levee district issued \$2,795,000 in Public Improvement Variable Rate Refunding Bonds. The proceeds of this issue, along with other funds, were used to currently refund the remaining Public Improvement Fixed Rate Refunding Bonds, Series 1987, on November 1, 1996. Public Improvement Variable Rate Refunding Bonds payable at the beginning of the year were \$2,270,000. Payments of \$120,000 reduced the amount to \$2,150,000 at June 30, 2003. The Public Improvement Variable Rate Refunding Bonds, Series 1996, are secured by a junior claim on the 5.46 mill ad valorem tax. These bonds are due in future annual installments of \$130,000 to \$230,000 beginning November 1, 2003, through November 1, 2015. The bonds, which have a maximum rate of 14%, carry an initial rate of interest of 5.4% through November 1, 2003. The interest rates will be reset on November 1, 2003, and November 1, 2010, based on the same formula that yielded 5.4% for the initial period. The interest to maturity, calculated using 5.4% for the initial period, and an estimated 6.4% for the subsequent periods, amounts to \$989,891 through November 1, 2015.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Debt service requirements on long-term debt at June 30, 2003, are as follows:

Governmental Activities

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2004	\$2,790,000	\$2,835,254	\$5,625,254
2005	2,880,000	2,690,751	5,570,751
2006	3,090,000	2,511,681	5,601,681
2007	3,310,000	2,319,729	5,629,729
2008	3,555,000	2,113,853	5,668,853
2009-2013	22,150,000	6,905,875	29,055,875
2014-2015	11,330,000	691,429	12,021,429
Total	<u>\$49,105,000</u>	<u>\$20,068,572</u>	<u>\$69,173,572</u>

Business-Type Activities

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2004	\$1,495,000	\$1,710,894	\$3,205,894
2005	1,575,000	1,629,749	3,204,749
2006	1,685,000	1,532,212	3,217,212
2007	1,800,000	1,427,949	3,227,949
2008	1,920,000	1,316,660	3,236,660
2009-2013	11,805,000	4,625,029	16,430,029
2014-2016	9,245,000	854,606	10,099,606
Total	<u>\$29,525,000</u>	<u>\$13,097,099</u>	<u>\$42,622,099</u>

14. RESTATEMENT OF PRIOR YEAR AMOUNTS

The levee district changed the manner in which it accounted for revenues for land areas along the New Basin Canal. Those revenues had previously been recorded in the Orleans Marina Fund since the creation of the enterprise fund in 1984. The New Basin Canal land areas are not considered a part of Orleans Marina, and property management is conducted by the Executive Department with no services being provided by Orleans Marina. Based on these facts, the levee district began accounting for the New Basin Canal revenues in the General Fund effective with the fiscal year ended June 30, 2003. In addition, the levee district prepared prior period adjustments in the amount of \$8,134,564 for revenues received in prior fiscal years, and \$225,000 for the land along the New Basin Canal, for a total of \$8,359,564.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

The levee district also changed the manner in which it accounted for the operations (revenues and expenses) of Lake Vista Community Center. The community center is an office building, which the levee district leases to the public, and its activities had been recorded as an enterprise fund since its creation in 1984. The decision to change the accounting for the community center activities was based on the fact that it did not meet the criteria of an enterprise fund under Governmental Accounting Standards Board Statement No. 34, paragraph 67 in that activities are not financed with debt; there are no laws or regulations that require the activity's costs to be recovered with fees; and its pricing policies for the community center are not designed to recover its costs, including capital costs. Furthermore, since the operations of Lake Vista Community Center are not material to the presentation of the enterprise funds, the decision was made to account for its activities in the General Fund beginning with the fiscal year ended June 30, 2003. The levee district prepared prior period adjustments to the fund balance of the General Fund in the amount of \$1,795,662, and \$1,146,410 for the capital assets of Lake Vista Community Center, for a total of \$2,942,072.

With the implementation of Governmental Accounting Standards Board Statement No. 34 last fiscal year, the levee district recorded depreciation on its capital assets that has previously been recorded in the general fixed assets account group. A subsequent review of the capital assets and related accumulated depreciation determined that the accumulated depreciation for equipment had been overstated by \$268,715. That same review also resulted in the discovery of \$27,601 that had been capitalized to construction in progress in error.

The beginning funds balance of the General Fund at July 1, 2002, has been restated to reflect the changes in accounting. The effect on the beginning funds balance is as follows:

	<u>General Fund</u>
Fund balance at June 30, 2002	\$12,993,395
Adjustment for New Basin Canal Revenues	8,134,564
Adjustment for Lake Vista Community Center	<u>1,795,662</u>
Fund balance restated at July 1, 2002	<u><u>\$22,923,621</u></u>

The beginning net assets for governmental activities and business type activities at July 1, 2002, have been restated to reflect changes in accounting. The effect on the beginning net assets is as follows:

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

	Governmental Activities	Total Business- Type Activities
Net assets at June 30, 2002	\$90,250,776	\$30,956,427
Adjustments:		
New Basin Canal Revenues	8,359,564	(8,359,564)
Lake Vista Community Center	2,942,072	(2,942,072)
Accumulated depreciation	268,715	
Construction in progress	(27,601)	
Net assets restated at July 1, 2002	<u>\$101,793,526</u>	<u>\$19,654,791</u>

15. FUND BALANCE RESERVES

The following is a summary of fund balance reserves at June 30, 2003:

	General Fund	General Improvement Fund	Special Levee Improvement Fund	Total
Reserved for:				
Encumbrances	\$115,456	\$227,856	\$2,402,284	\$2,745,596
Bohemia Spillway Escrow	<u>950,716</u>			<u>950,716</u>
Total	<u>\$1,066,172</u>	<u>\$227,856</u>	<u>\$2,402,284</u>	<u>\$3,696,312</u>

The amount reserved for the Bohemia Spillway Escrow of \$950,716, is also considered restricted net assets on Statement A.

16. FUND BALANCE - UNRESERVED - DESIGNATED

The Orleans Levee District has designated a portion of its General Fund balance for future expenditures. A description of these designations follows:

Major construction equipment replacement - funds set aside for the purchase of equipment.

Air conditioning unit replacement - funds set aside for replacement of air conditioning unit.

Hurricane cleanup and recovery - funds set aside for the cleanup of hurricane damages to levee district property.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Workers' compensation - funds set aside for workers' compensation claims as part of the Orleans Levee District self-insurance plan.

Capital assets - funds set aside for purchase of capital assets.

A summary of the designations for the year ended June 30, 2003, follows:

Major construction equipment replacement	\$100,376
Air conditioning unit replacement	18,239
Hurricane cleanup and recovery	100,000
Workers' compensation	100,000
Capital assets	<u>156,356</u>
Total	<u><u>\$474,971</u></u>

17. DUE FROM/TO OTHER FUNDS

The balances of due from/to other funds detailed by individual fund at June 30, 2003, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund:		
Debt Service Fund	\$2,445,699	
Capital Project Funds:		
Special Levee Improvement		\$1,338,589
General Improvement		2,483,544
Enterprise Funds:		
Orleans Marina		4,227,555
South Shore Harbor Marina		9,584,318
New Orleans Lakefront Airport	14,281,042	
Total General Fund	<u>16,726,741</u>	<u>17,634,006</u>
Debt Service Fund - General Fund	<u>NONE</u>	<u>2,445,699</u>
Capital Projects Funds:		
General Improvement - General Fund	2,483,544	
Special Levee Improvement - General Fund	1,338,589	
Total	<u>3,822,133</u>	<u>NONE</u>
Total Governmental Funds Due From/To Other Funds	<u>20,548,874</u>	<u>20,079,705</u>

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Enterprise Funds:		
Orleans Marina - General Fund	\$4,227,555	
South Shore Harbor Marina - General Fund	9,584,318	
New Orleans Lakefront Airport - General Fund		<u>\$14,281,042</u>
Total Enterprise Funds Due From/To Other Funds	<u>13,811,873</u>	<u>14,281,042</u>
Total Due From/To Other Funds	<u><u>\$34,360,747</u></u>	<u><u>\$34,360,747</u></u>

The interfund due from/to other funds results from the cash management system used by the levee district where all cash transactions are initially recorded in the General Fund.

18. LITIGATION AND CLAIMS

Numerous lawsuits have been filed by individuals and acts have been passed by the Louisiana Legislature concerning the return of certain expropriated properties in the Bohemia Spillway and the payment of royalties and rents derived from these properties to the original owners of the properties. Act 233 of 1984, as amended by Acts 819 of 1985, 847 of 1992, 1364 of 1997, and 1378 of 1999, requires the Board of Commissioners of the Orleans Levee District upon receipt of the names of certified claimants from the Secretary of the Louisiana Department of Natural Resources (DNR) to return the ownership of properties in the Bohemia Spillway in the parish of Plaquemines to the owners or their successors from whom the property was acquired by expropriation or by purchase under threat of expropriation. At this date, the levee district is maintaining a complete accounting of all royalty revenues received as required by the act. The value of Bohemia Spillway properties included in the capital assets is \$133,244.

Before the effective date of Act 1364 of 1997 and 1378 of 1999, DNR certified claimants who had an interest in 164 of 220 tracts of land in the Bohemia Spillway for the return of the property. All property claims certified by DNR as of June 30, 2003, have been conveyed. Upon the return of the property, the levee district is required to return the royalties, et cetera, collected since June 29, 1984, until the date of transfer.

Judgments were rendered in Vogt & Edgecombe v. Board of Commissioners of the Orleans Levee District, Case No. 94-5084 c/w 94-5089, and in Haspel & Davis v. Board of Commissioners of the Orleans Levee District, Case No. 31-357, in favor of the plaintiffs awarding the sum of \$1,831,528 and \$18,767,145, respectively, plus interest from the date of judicial demand until paid, for the sum of revenues paid to the levee district of its share of royalties under mineral leases in the Bohemia Spillway. As of August 15, 2000, all claims under \$10,000 in Vogt & Edgecombe were paid in the full sum of \$108,683. As of August 15, 2000, all claims under \$10,000 in Haspel & Davis were paid into the registry of the court, for the benefit of all claimants, in the full sum of \$1,968,264. As of December 11, 2000, an additional sum of \$350,000, as agreed fixed costs in Haspel & Davis, was paid into the registry of the court. As of August 15, 2001, an additional sum of \$371,532 was paid on the Haspel & Davis judgment. As

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

of June 30, 2002, unpaid final judgments in Vogt & Edgecombe and Haspel & Davis totaled \$1,722,845 and \$16,077,350, respectively, plus interest from the date of judgments. The Vogt & Edgecombe judgment in the full sum of \$3,000,000 was paid on January 24, 2003, which settled this claim in full. On February 7, 2003, a payment of \$1,906,024 was paid into the registry in the Haspel & Davis class action, and the court accepted the payment as current on the settlement agreement amortization plan. All judgments in the Bohemia Spillway matter will be paid if and when funds become available and when funds are appropriated therefore.

At June 30, 2003, the levee district is a defendant or co-defendant in 52 lawsuits, including nine cases related to the Bohemia Spillway, claiming damages, possession of property, and contract disputes. In addition, the levee district is involved in several civil service actions. The levee district's legal counsel has reviewed all claims and lawsuits to evaluate the likelihood of an unfavorable outcome to the levee district and has attempted to arrive at an estimate of the amount of potential loss. For the lawsuits involving claims or damages not related to the Bohemia Spillway, the levee district's legal counsel does not anticipate that potential losses resulting from these lawsuits will have a significant adverse effect on the financial position of the levee district.

As reflected in Statement D, expenditures for claims and litigation totaled \$4,956,123 for the year ended June 30, 2003. At June 30, 2003, liabilities associated with claims and judgments total \$14,171,326, as shown on Statement A.

19. LEVEE DISTRICT TAXES

Article 6, Section 39 of the 1974 Louisiana Constitution provides that the levee district may levy an annual tax not to exceed 5.46 mills to construct and maintain levees, levee drainage, flood protection, hurricane flood protection, and all other purposes incidental thereto. If the levee district needs to raise additional funds in excess of the amount authorized by the constitution, the taxes in excess of 5.46 mills must be approved by a majority vote of the electors of Orleans Parish.

By general election held in the City of New Orleans on November 19, 1983, the voters of the parish of Orleans elected to continue a 6.55 mill ad valorem tax on assessed property for a period of 30 years (1985-2015) to finance hurricane and flood protection projects and to fund the retirement of levee improvement bonds. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Parishwide taxes:		
Constitutional	5.46	5.46
Levee improvements	6.55	6.55
General maintenance	0.75	0.75

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

The rates authorized and levied have been adjusted because of reassessment of property as provided in Article 7, Section 23 of the 1974 Louisiana Constitution. By a special election held with the district on March 5, 1974, the voters of the parish of Orleans elected to authorize a "General Maintenance" tax to finance the general maintenance expenditures of the Orleans Levee District, at the rate of three quarters (3/4) of a mill to begin in 1986, and continue thereafter. By a vote on a resolution on December 1, 1999, the Orleans Levee Board voted to reaffirm the .75 millage pursuant to Article 7, Section 23 (B) of the Louisiana Constitution of 1974.

At June 30, 2003, approximately \$482,842 of property taxes has been paid under protest and is, therefore, not recorded in the financial statements. The resolution of these protests is not determinable at this time.

20. FEDERAL GRANTS

The Orleans Levee District received federal funds from FEMA under the Public Assistance Grants Program (CFDA 83.544). The levee district administers this program as a subrecipient with funds passed through the Department of Military Affairs. During the year ended June 30, 2003, the levee district expended federal funds totaling \$155,339 under this program.

In addition, the Orleans Levee District received federal funds from the Federal Aviation Administration under the Airport Improvement Grants Program (CFDA 20.106). This grant provides for the airport to install a security access control system around the perimeter of the airport. During the year ended June 30, 2003, the levee district expended federal funds totaling \$20,826 under this program.

21. OPERATING TRANSFERS IN/OUT

The following is a summary of the operating transfers in and out for the year ended June 30, 2003:

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Fund:		
General Fund:		
Debt Service	\$371,163	\$71,035
Capital Project Funds:		
General Improvement		2,701,676
Special Levee Improvement	3,900,000	
Total General Fund Transfers	<u>4,271,163</u>	<u>2,772,711</u>
Debt Service Fund:		
General Fund	71,035	371,163
Special Levee Improvement Capital Projects Fund	5,509,435	
Total Debt Service Fund Transfers	<u>5,580,470</u>	<u>371,163</u>
Capital Projects Fund -		
General Improvement:		
General Fund	2,701,676	
Enterprise Funds:		
Orleans Marina		29,420
South Shore Harbor Marina		2,109,723
New Orleans Lakefront Airport		211,763
Special Levee Improvement:		
General Fund		3,900,000
Debt Service Fund		5,509,435
Total Capital Projects Fund Transfers	<u>2,701,676</u>	<u>11,760,341</u>
Total Governmental Fund Transfers	<u>12,553,309</u>	<u>14,904,215</u>
Proprietary Funds:		
Orleans Marina	29,420	
South Shore Harbor Marina	2,109,723	
Lakefront Airport	211,763	
Total Proprietary Fund Transfers	<u>2,350,906</u>	<u>NONE</u>
Total Transfers	<u>\$14,904,215</u>	<u>\$14,904,215</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Concluded)

22. IN-KIND CONTRIBUTIONS

USACE and the levee districts in southeastern Louisiana, including Orleans Levee District, participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan). Under the High Level Plan, the levee district has expended bond and ad valorem tax funds over (approximately) the last 18 years for USACE qualified projects and earned credits for such expenditures to be applied against future flood protection projects.

The United States Congress has approved projects totaling \$745,000,000 for the 300-year Lake Pontchartrain and Vicinity Hurricane Protection Plan. The estimated amount per the USACE for Orleans Parish is \$385,212,000. The USACE will expend 70% and the Orleans Levee District will expend 30%. The estimated expenditures at June 30, 2003, are \$279,650,000 for the USACE. The 30% participation by the Orleans Levee District will not cause direct cash outflows. Three major projects on the High Level Plan are ongoing in Orleans Parish: the Orleans Avenue Canal, London Avenue Canal, and 17th Street Canal. These major projects should be completed in 2005.

23. PROPOSED LEASE OF AIRPORT

On March 27, 2002, by Resolution No. S1-032702, the board approved the Agreement for the Lease, Management, Operation, Commercial Enhancement and Development of the New Orleans Lakefront Airport between the Board of Commissioners of the Orleans Levee District and American Airports Lakefront, L.L.C., previously approved by the Special Airport Committee of the Orleans Levee Board. The board also authorized the President of the Board of Commissioners of the Orleans Levee District to sign and file with the Federal Aviation Administration (FAA) the Final Application for Exemptions under the Federal Airport Privatization Pilot Program for the privatization of the New Orleans Lakefront Airport. The Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport was submitted to the FAA on April 30, 2002, and is currently under review.

24. SUBSEQUENT EVENTS

In a board meeting held on August 20, 2003, the levee board adopted four resolutions determining to proceed with a plan of restructuring the currently outstanding Orleans Levee District Levee Improvement Bonds, Series 1986, The Orleans Levee District Levee Improvement Refunding Bonds, Series 1996, the Orleans Levee District Public improvement Bonds, Series 1986, and the Orleans Levee District Public Improvement Refunding Bonds, Series 1996 by pursuing one or more transaction structures; authorizing to seek approval of the Louisiana State Bond Commission for the issuance of the refunding bonds; hiring a financial advisor in connection with the restructuring; authorizing the distribution/publication of a request for qualifications for qualified investment banking firms to assist with the restructuring, and providing for other matters in connection therewith.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
For the Year Ended June 30, 2003**

PER DIEM PAID BOARD MEMBERS

Schedule 1, which presents the per diem paid board members, was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Per diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the personal services expenditures of the General Fund. Board members are paid \$75 per day, to a maximum of 36 days per year, for board meetings and official business. During the period of an emergency as declared and determined by the governor, the levee district shall be authorized to hold as many meetings or emergency activities as the board deems necessary, and the members shall be paid per diem for such meetings and activities.

**ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,
DIVISION OF ADMINISTRATION,
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY**

The annual fiscal report presents the financial position of the Orleans Levee District as of June 30, 2003, and the results of its operations for the year then ended in the format required by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

**Schedule of Per Diem Paid Board Members
For the Year Ended June 30, 2003
(With Comparative Totals for the Year
Ended June 20, 2002)**

	JUNE 30,	
	<u>2003</u>	<u>2002</u>
Thomas B. Coleman (Appointed effective June 1, 2002)	NONE	NONE
Marlin N. Gusman (Resigned effective July 24, 2002)	\$75	\$1,875
Patricia W. Harris	1,725	1,800
James P. Huey, President	1,500	2,100
Victor A. Landry, Vice President	2,700	2,700
James E. Livingston	NONE	NONE
Robert E. Smith Lupo	NONE	NONE
Charles L. Rice (Appointed effective April 11, 2003)	375	NONE
Cynthia Willard-Lewis	825	1,500
Margaret H. Wilson (Resigned effective April 4, 2003)	<u>NONE</u>	<u>1,050</u>
Total	<u>\$7,200</u>	<u>\$11,025</u>

The Board of Commissioners

OF THE

Orleans Levee District



SUITE 202 - ADMINISTRATION BUILDING

6001 STARS AND STRIPES BLVD.

New Orleans, La.

70126-8006

TEL. 504-243-4000

PROTECTING YOU
AND YOUR FAMILY

August 29, 2003

F. Howard Karlton, CPA, CGFM
Director
Office of Statewide Reporting
and Accounting Policy
Post Office Box 94095
Baton Rouge, Louisiana 70804-9095

Dear Mr. Karlton:

Enclosed please find the Orleans Levee District's Annual Fiscal Report for the year ended June 30, 2003.

If you should have questions concerning this report, please contact Jim Bollinger at (504) 243-4065.

Sincerely,

Mary E. Herbert, CPA, CGFM
Comptroller

MEH/jd

cc: Max L. Hearn, Executive Director
Paul E. Pendas, CPA, Assistant Director of
Financial and Compliance Audit Division
Office of Legislative Auditor
Ronald L. Rodriguez, CPA, CISA, Senior Auditor
Office of Legislative Auditor
James B. Bollinger, CPA, Assistant Comptroller

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Annual Fiscal Report
June 30, 2003

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STATE OF LOUISIANA
Annual Financial Statement
Fiscal Year Ending June 30, 2003

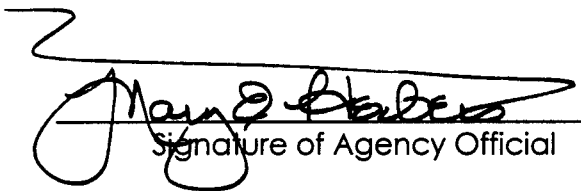
BOARD OF COMMISSIONERS OF THE ORLEANS LEVEE DISTRICT

Division of Administration
Office of Statewide Reporting
and Accounting Policy
Post Office Box 94095
Baton Rouge, Louisiana 70804-9095


Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9095

AFFIDAVIT

Personally came and appeared before the undersigned authority, Mary E. Herbert (Name),
Comptroller (Title) of Board of Commissioners of the Orleans Levee District (Agency) who duly
sworn, deposes and says, that the financial statements herewith given, present fairly the
financial position of Board of Commissioners of the Orleans Levee District (agency) at June
30, 2003 and the results of operations for the year then ended in accordance with policies
and practices established by the Division of Administration or in accordance with Generally
Accepted Accounting Principles as prescribed by the Governmental Accounting Standards
Board. Sworn and subscribed before me this 29th day of August
 , 2003.



Signature of Agency Official



NOTARY PUBLIC

Prepared by: Mary E. Herbert

Title: Comptroller

Telephone No.: (504) 243-4059

Date: August 29, 2003

GARY G. BENOIT
Notary Public, Parish of Orleans, State of Louisiana
My commission is issued for life.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis
As of June 30, 2003**

The Management's Discussion and Analysis of the Orleans Levee District's financial performance presents a narrative overview and analysis of Orleans Levee District's financial activities for the year ended June 30, 2003. This document focuses on the current year's activities, resulting changes, and currently known facts.

Financial Highlights

- The assets of the Orleans Levee District exceeded its liabilities at the close of fiscal year 2003 by \$123,729,108 (net assets), which represents a 1.88% increase from last fiscal year.
- The District's total net assets increased by \$2,280,791. The major cause of this increase is that charges for services, et cetera, were greater than the cost of operations and debt service.
- The cash and investments of the Orleans Levee District decreased by \$29,955,404. The chief elements attributable to this decline were the redemption of the Capital Recovery Funding Bonds, Series 1988 (\$24,155,000) on February 24, 2003, and litigation payments (\$4,956,123).

Overview of the Financial Statements

The minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments consists of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

The basic financial statements present information for the Orleans Levee District as a whole. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page v) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Orleans Levee District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page vi) presents information showing how the Orleans Levee District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flow (page viii) presents information showing how the Orleans Levee District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income(loss) to net cash provided(used) by operating activities (indirect method) as required by GASB Statement No. 34.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis
As of June 30, 2003

Financial Analysis of the Orleans Levee District

Net Assets		
	<u>FY 2003</u>	<u>FY 2002</u>
Current and other assets	\$ 40,305,783	\$ 69,383,011
Capital assets	181,867,074	182,372,170
Total assets	<u>\$ 222,172,857</u>	<u>\$ 251,755,181</u>
Long-term liabilities outstanding	\$ 89,252,893	\$ 122,038,729
Other liabilities	9,190,856	8,268,134
Total liabilities	<u>\$ 98,443,749</u>	<u>\$ 130,306,863</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 103,540,038	\$ 100,203,694
Restricted	950,716	24,672,513
Unrestricted	19,238,354	(3,427,889)
Total net assets	<u>\$ 123,729,108</u>	<u>\$ 121,448,318</u>

The Districts net assets increased by \$2,280,791 during the current fiscal year. The major cause of this increase is that charges for services, et cetera, were greater than the cost of operations and debt service.

**Statement of Revenues, Expenses,
and Changes in Net Assets**

	<u>FY 2003</u>	<u>FY 2002</u>
Operating revenues	\$ 13,860,553	\$ 13,917,643
Operating expenses	(29,835,979)	(29,526,917)
Operating income (loss)	<u>(15,975,426)</u>	<u>(15,609,274)</u>
Non-operating revenues (expenses)	<u>18,256,217</u>	<u>21,331,359</u>
Net increase(decrease) in net assets	<u>\$ 2,280,791</u>	<u>\$ 5,722,085</u>

Operating income was essentially unchanged from the prior year, while operating expenses rose 1.05%. Non-operating revenues (expenses) were \$3,077,946 less than the prior fiscal year. This reduction in earnings is attributable to a decrease in investment earnings of \$882,974, a decrease in federal and state grants of \$1,294,526, and an increase in net litigation payments of \$1,357,436.

Capital Asset and Debt Administration

Capital assets. The Orleans Levee District's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounts to \$181,867,074 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, and equipment. The total decrease in the Orleans Levee District's investments in capital assets for the current fiscal year was 0.28%.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis
As of June 30, 2003**

**Capital Assets
(Net of Depreciation)**

	<u>FY 2003</u>	<u>FY 2002</u>
Land	\$ 31,683,989	\$ 31,826,867
Buildings	5,584,992	6,056,643
Improvements other than buildings	31,981,915	35,075,023
Movable property	2,799,791	2,060,593
Infrastructure	107,379,744	104,113,277
Construction in progress	2,436,643	3,239,767
Total	<u>\$ 181,867,074</u>	<u>\$ 182,372,170</u>

Major capital asset events during the current fiscal year included the following:

- Major upgrade of information systems infrastructures
- Rebuilding the Lakeshore Drive bridges that cross London Avenue and Orleans Avenue canals
- Sale of Stanton Levee Borrow Pit

Debt. At the end of the current fiscal year, the Orleans Levee District had total bonded debt outstanding of \$78,630,000. The debt of the Orleans Levee District is payable from the avails of the two limited ad valorem taxes: the tax authorized by Article 6, Section 39A of the Louisiana Constitution and the special levee improvement tax authorized by the election of November 1983.

Outstanding Debt

	<u>FY 2003</u>	<u>FY 2002</u>
General obligation bonds	\$ 70,000	\$ 135,000
Public improvement bonds	29,525,000	30,920,000
Levee improvement bonds	49,035,000	51,580,000
Capital recovery funding bonds		24,155,000
Total	<u>\$ 78,630,000</u>	<u>\$ 106,790,000</u>

The Orleans Levee District has a judgment of \$14,171,326 outstanding at year-end compared with \$17,800,195 last year. Other obligations include accrued annual and compensatory leave.

Variations between Budgeted and Actual

Revenues were approximately \$1,348,458 over budget and expenses were \$10,687,085 less than budget. Operating expenses were under budget by 5.06% (\$1,158,984). Major maintenance/capital improvements were \$9,496,313 less than budgeted, of which \$5,160,255 were capitalized and the remainder was unspent. Both principal and interest payments are budgeted, while actual debt service reports only interest expense, which results in debt service being less than budgeted by \$3,778,769. Litigation payments were budgeted at \$5,106,023, but only \$1,327,254

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis
As of June 30, 2003**

was charged to current expense with the balance reducing judgments payable. Offsetting these favorable budget variances is \$7,002,547 of depreciation, which is not budgeted.

Economic Factors and Next Year's Budgets and Rates

The Board of Commissioners of the Orleans Levee District considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Minimal growth in assessed values of property subject to ad valorem taxes, and
- Expectation of low inflation and low interest rates on the District's investments.

The Orleans Levee District does not envision any substantive change in the economic environment or its operations. It therefore, prepared the budget using existing revenue and cost parameters. Given the constraints the Orleans Levee District faces in raising revenue, it is expected that next year's results will not improve. Some improvement may be realized should the privatization of Lakefront Airport be achieved.

Contacting the Orleans Levee District's Management

This financial report is designed to provide a general overview of the Orleans Levee District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Commissioners of the Orleans Levee District, Finance Department, Suite 219, 6001 Stars & Stripes Boulevard, New Orleans, Louisiana 70126.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Statement of Net Assets
As of June 30, 2003

ASSETS

Current assets:

Cash and cash equivalents (note C1)	\$ 14,884,820
Investments (note C2)	20,189,752
Receivables (note U)	1,624,963
Inventory	496,971
Other assets	663,771
Restricted assets (note F)	1,944,755
Deferred charges	500,751
Total current assets	<u>40,305,783</u>

Noncurrent assets:

Capital assets (net of depreciation) (note D)	
Land	31,683,989
Buildings	5,584,992
Improvements other than buildings	31,981,915
Movable property	2,799,791
Infrastructure	107,379,744
Construction in progress	2,436,643
Total noncurrent assets	<u>181,867,074</u>
TOTAL ASSETS	<u>\$ 222,172,857</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Payables (note V)	\$ 1,379,053
Contracts payable	1,157,133
Deferred revenues	1,004,517
Due to other governments	545,399
Accrued compensated absences (note K)	35,680
Other liabilities	11,252
Bonds payable	4,285,000
Payable from restricted assets - accrued bond interest payable (note Z)	772,822
Total current liabilities	<u>9,190,856</u>

Noncurrent liabilities:

Deferred revenues	62,650
Accrued compensated absences (note K)	976,881
Bonds payable	74,042,036
Judgments payable	14,171,326
Total noncurrent liabilities	<u>89,252,893</u>
Total liabilities	<u>98,443,749</u>

Net assets:

Invested in capital assets, net of related debt	103,540,038
Restricted for:	
Bohemia Spillway claims	950,716
Unrestricted	19,238,354
Total net assets	<u>123,729,108</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 222,172,857**

The accompanying notes are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2003**

OPERATING REVENUES	
Charges for services	\$ 12,566,125
Miscellaneous	1,294,428
Total operating revenues	<u>13,860,553</u>
OPERATING EXPENSES	
Cost of services	22,833,432
Depreciation	7,002,547
Total operating expenses	<u>29,835,979</u>
Operating income (loss)	(15,975,426)
NON-OPERATING REVENUES (EXPENSES)	
Taxes	21,492,916
State revenue sharing	1,578,908
Investment earnings	1,297,655
Gain (loss) on disposal of capital assets	(429,845)
Federal and state grants	1,149,200
Interest expense	(5,508,167)
Other	(1,327,254)
Total non-operating revenues(expenses)	<u>18,253,413</u>
Income (loss) before contributions and transfers	2,277,987
Capital Contributions	2,804
Total capital contributions and transfers	<u>2,804</u>
CHANGE IN NET ASSETS	2,280,791
NET ASSETS AT BEGINNING OF YEAR, as restated	<u>121,448,317</u>
NET ASSETS AT END OF YEAR	<u><u>\$123,729,108</u></u>

The accompanying notes are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Statement of Activities
For the Year Ended June 30, 2003**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Orleans Levee District	<u>\$ 35,344,146</u>	<u>\$ 12,566,125</u>	<u>NONE</u>	<u>\$ 1,152,004</u>
General revenues:				
Property taxes				21,492,916
Unrestricted intergovernmental revenues				1,578,908
Unrestricted investment earnings				1,297,655
Miscellaneous				1,294,428
Gain (loss) on disposal of capital assets				(429,845)
Litigation payments				<u>(1,327,254)</u>
Total general revenues and litigation payments (net)				<u>23,906,808</u>
CHANGE IN NET ASSETS				2,280,791
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED				121,448,317
NET ASSETS AT END OF YEAR				<u><u>\$123,729,108</u></u>

The accompanying notes are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2003**

CASH FLOW FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 13,220,793
Payments to suppliers	(10,807,809)
Payments to employees	(11,428,710)
Net cash provided (used) by operating activities	<u>(9,015,726)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Receipts from taxpayers	23,120,614
Litigation payments	(4,956,123)
Net cash provided (used) by noncapital financing activities	<u>18,164,491</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from sale of capital assets	53,407
Purchase of capital assets	(6,947,982)
Proceeds from federal and state grants	548,515
Principal paid on capital debt	(28,064,266)
Interest paid on capital debt	(5,627,499)
Net cash provided (used) by capital and related financing activities	<u>(40,037,825)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest	1,225,110
Proceeds from sale of investments	72,545
Purchase of investments	43,033,589
Net cash provided by investing activities	<u>44,331,244</u>

Net increase (decrease) in cash 13,442,184

Cash and cash equivalents, July 1, 2002 3,387,391

Cash and cash equivalents, June 30, 2003 \$ 16,829,575

Cash	\$ 14,884,820
Restricted cash	1,944,755
Total cash, end of year	<u>\$ 16,829,575</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET**CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (15,975,426)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	7,002,547
Change in assets and liabilities:	
Receivables, net	(155,729)
Inventories	42,706
Prepaid expenses and other assets	(517,120)
Accounts and other payables	587,296
Net cash provided (used) by operating activities	<u>\$ (9,015,726)</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003**

INTRODUCTION

The Orleans Levee District and its board of commissioners were established by Act 93 of the 1890 General Assembly (Legislature) of the State of Louisiana. The board has primary responsibility for the operation and maintenance of levees, embankments, seawall, jetties, breakwaters, water basins, and other hurricane and flood protection improvements surrounding the City of New Orleans, including the southern shores of Lake Pontchartrain and along the Mississippi River. The board is responsible for the maintenance of almost 129 miles of levees and floodwalls. To enhance flood protection, the Orleans Levee District and the United States Corps of Engineers participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan).

Act 292 of the 1928 Louisiana Legislature authorized the board to dedicate, construct, operate and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The board owns and operates a general aviation airport, the New Orleans Lakefront Airport. The board also owns and operates the Orleans Marina and the South Shore Harbor Marina. The Orleans Marina has 352 boat slips. The South Shore Harbor Marina, which was officially dedicated September 19, 1987, has a 43-acre calm water basin, 447 open boat slips, and 26 covered boat slips. In addition, Orleans Levee District receives certain rents and gaming related monies from a steamboat operator located at the South Shore Harbor Marina. The levee district has approximately 255 full-time employees, including 50 police officers and 10 firefighters.

The levee district is governed by a board of eight commissioners, six of whom are appointed by the governor. Two commissioners serve in an ex-officio capacity, the mayor of the City of New Orleans or his designee and one member appointed by the mayor from a list of three city councilmen selected by the members of the city council of New Orleans.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements present information only as to the transactions of the Orleans Levee District as authorized by Louisiana statutes.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Orleans Levee District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration - Office of Statewide Reporting and Accounting Policy as follows:

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003**

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY PRACTICES

The levee district prepares its budget in accordance with R.S. 38:318. The budget for the fiscal year ended June 30, 2003, was adopted on February 20, 2002, and subsequent amendments were adopted on February 19, 2003, April 16, 2003, and June 18, 2003. Formal budget integration is employed as a management control device during the year. All appropriations lapse at year-end.

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

CASH AND CASH EQUIVALENTS

At June 30, 2003, the levee district has cash and cash equivalents (book balances), totaling \$16,829,575, which consist of the following:

Cash:	
Petty cash	\$ 700
Demand deposits	472,460
Subtotal	<u>473,160</u>
Cash equivalents:	
Time deposits	2,000,000
Money market mutual funds	5,356,970
U. S. Treasury bills	8,999,445
Subtotal	<u>16,356,415</u>
Total cash and cash equivalents	<u><u>\$ 16,829,575</u></u>

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The deposits at June 30, 2003, are secured as follows:

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003

	Deposits in Bank Accounts			Total
	Cash	Certificates of Deposit	Other	
Deposits in Bank Accounts per Balance Sheet	<u>\$ 472,460</u>	<u>\$ 2,000,000</u>	<u>NONE</u>	<u>\$ 2,472,460</u>
Bank Balances:				
a. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name (Category 1)	\$ 121,176	\$ 100,000		\$ 221,176
b. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name (Category 2)	1,803,443	1,900,000		3,703,443
c. Uncollateralized, including any securities held for the entity but not in the entity's name (Category 3)				
Total Bank Balances	<u>\$ 1,924,619</u>	<u>\$ 2,000,000</u>	<u>NONE</u>	<u>\$ 3,924,619</u>

Note: the total bank balances will not necessarily equal the deposits in bank account per the Statement of Net Assets (Schedule A).

The \$5,356,970 of money market mutual funds, which includes restricted assets, consist of shares of mutual funds that are invested in direct obligations of the United States Department of Treasury, other federal governmental agencies, and repurchase agreements involving these securities that are not required to be classified as to category of credit risk by GASB Codification Section 150.165.

The \$8,999,445 of U.S. Treasury bills have an original maturity of three months or less and are defined as cash equivalents according to GASB Codification Section 2450.109 but are classified as investments for purposes of credit risk.

The following is a breakdown by banking institution, program, and amount of the balances shown above:

Banking institution	Amount
1. Whitney National Bank	\$ 1,903,443
2. Hibernia National Bank	21,176
6. Liberty Bank	2,000,000
Total	<u>\$ 3,924,619</u>

2. INVESTMENTS

At June 30, 2003, investments of the levee district total \$29,189,197, which is shown on Statement A as \$20,189,752 of investments, and \$8,999,445 of cash equivalents (U. S. Treasury bills).

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003

A summary of levee district investments follows:

	Category 1	Category 2	Category 3	Reported Amount	Fair Value
U. S. Treasury bills		\$ 8,999,445		\$ 8,999,445	\$ 8,999,445
Federal Home Loan Mortgage		10,752,139		10,752,139	10,752,139
Federal National Mortgage Association		2,873,639		2,873,639	2,873,639
Governmental National Mortgage Association		6,563,974		6,563,974	6,563,974
Total investments	NONE	\$ 29,189,197	NONE	\$ 29,189,197	\$ 29,189,197

Investments of governmental securities reflected in the governmental funds and the enterprise funds are stated at fair value as required by GASB Statement No. 31. The levee district used quoted market values to determine the fair value of the investments. These investments are direct obligations of the United States Department of Treasury and other federal governmental agencies. These investments are considered uninsured and unregistered but are held in the name of the entity. These investments are classified as GASB Risk Category 2 of Statement No. 3 in applying the credit risk of GASB Codification Section 150.164.

The risk categories are defined as follows:

Category 1 - Insured or registered in the entity's name, or securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered with securities held by the counter party's trust department or agent in the entity's name.

Category 3 - Unsecured and unregistered with securities held by the counter party, or by its trust department or agent but not in the entity's name.

D. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure (such as bridges, seawalls, roads, and levees), are reported in the financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The levee district maintains a threshold level of \$1,000 or more for capitalization.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	40
Furniture and fixtures	7-10
Vehicles	7
Equipment	7-10
Infrastructure	40

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003**

Flood Protection Systems

Resources of the United States Army Corps of Engineers (USACE), the State of Louisiana, the Orleans Levee District and the City of New Orleans as local participants are committed to protecting lives and property of the residents and businesses of the City of New Orleans from the potential for flooding posed by the Mississippi River and its tributaries, and from Lake Pontchartrain.

The Orleans Levee District and the Corps of Engineers have together invested \$385 million in flood control systems in the Lake Pontchartrain and Vicinity Hurricane Protection Plan for Orleans Parish. Major elements of the protection program include 1) levees, floodwalls and floodgates along the lakefront, Mississippi River Gulf Outlet canal and along the 3 critical outfall canals, 2) a seawall at the shores of Lake Pontchartrain, and 3) barrier levees on the outskirts of the city. The current height of these levees is 14 to 18 feet.

The USACE has spent \$19.9 million on 27.5 miles of Mississippi River levees, floodwalls, floodgates and other flood control structures.

In accordance with accounting principles generally accepted in the United States of America and the Government Accounting Standards Board Statement No. 34, governments are required to identify infrastructure assets, including flood control systems. While the Orleans Levee District manages and monitors the levees, flood control structures and bridges comprising the flood protection system, the USACE has the primary responsibility for major maintenance and construction. Accordingly, the Orleans Levee District has excluded from its financial statements those costs incurred on assets owned by others, or substantially built and maintained by others.

Only those portions of the flood protection system that were funded by the District's 1984 bond issue have been capitalized. Those costs are included in the financial statements and amount to \$53,481,035 relating to investments in levees, floodwalls, floodgates, flood control structures, etc.

Other Infrastructure Assets

In addition to the \$53,481,035 noted above, the financial statements reflect investments in roadways, bridges, parks and recreation, and buildings. Total cost of infrastructure assets at June 30, 2003 totaled to \$128,054,113. The components of this total are:

Bridges/roadways	\$ 70,655,261
Parks/recreation	1,608,249
Buildings	2,309,568
Subtotal - other infrastructure assets	<u>74,573,078</u>
Flood protection systems	<u>53,481,035</u>
Total - infrastructure assets	<u><u>\$ 128,054,113</u></u>

Accumulated depreciation on infrastructure assets at June 30, 2003 totaled \$20,674,369.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003**

A summary of changes in capital assets is as follows:

	Balance 6/30/2002	Additions	Transfers *	Retirements	Balance 6/30/2003	Prior Period Adjustment	Adjusted Balance 6/30/2003
Land	\$ 31,826,867			\$ (142,878)	\$ 31,683,989		\$ 31,683,989
Construction in progress	3,267,368	\$ 5,739,215		(6,542,338)	2,464,245	\$ (27,602)	2,436,643
Total capital assets not being depreciated	<u>\$ 35,094,235</u>	<u>\$ 5,739,215</u>	<u>NONE</u>	<u>\$ (6,685,216)</u>	<u>\$ 34,148,234</u>	<u>\$ (27,602)</u>	<u>\$ 34,120,632</u>
Other capital assets:							
Movable property	\$ 9,194,022	\$ 1,211,217		\$ (572,290)	\$ 9,832,949		\$ 9,832,949
Less accumulated depreciation	(7,402,143)	(456,239)		556,510	(7,301,872)	\$ 268,714	(7,033,158)
Total movable property	<u>1,791,879</u>	<u>754,978</u>	<u>NONE</u>	<u>(15,780)</u>	<u>2,531,077</u>	<u>268,714</u>	<u>2,799,791</u>
Buildings	17,349,954				17,349,954		17,349,954
Less accumulated depreciation	(11,293,312)	(471,651)			(11,764,963)		(11,764,963)
Total buildings	<u>6,056,642</u>	<u>(471,651)</u>	<u>NONE</u>	<u>NONE</u>	<u>5,584,991</u>	<u>NONE</u>	<u>5,584,991</u>
Improvements other than buildings	89,551,681	173,157		(517,016)	89,207,822		89,207,822
Less accumulated depreciation	(54,476,657)	(2,971,325)		222,076	(57,225,906)		(57,225,906)
Total improvements other than buildings	<u>35,075,024</u>	<u>(2,798,168)</u>	<u>NONE</u>	<u>(294,940)</u>	<u>31,981,916</u>	<u>NONE</u>	<u>31,981,916</u>
Infrastructure	121,684,581	6,369,532			128,054,113		128,054,113
Less accumulated depreciation	(17,571,304)	(3,103,065)			(20,674,369)		(20,674,369)
Total infrastructure	<u>104,113,277</u>	<u>3,266,467</u>	<u>NONE</u>	<u>NONE</u>	<u>107,379,744</u>	<u>NONE</u>	<u>107,379,744</u>
Total other capital assets	<u>\$ 147,036,822</u>	<u>\$ 751,626</u>	<u>NONE</u>	<u>\$ (310,720)</u>	<u>\$ 147,477,728</u>	<u>\$ 268,714</u>	<u>\$ 147,746,442</u>
Capital assets not being depreciated	\$ 35,094,235	\$ 5,739,215		\$ (6,685,216)	\$ 34,148,234	\$ (27,602)	\$ 34,120,632
Other capital assets, at cost	237,780,238	7,753,906		(1,089,306)	244,444,838	-	244,444,838
Total cost of capital assets	<u>272,874,473</u>	<u>13,493,121</u>	<u>NONE</u>	<u>(7,774,522)</u>	<u>278,593,072</u>	<u>(27,602)</u>	<u>278,565,470</u>
Less accumulated depreciation	<u>(90,743,416)</u>	<u>(7,002,280)</u>		<u>778,586</u>	<u>(96,967,110)</u>	<u>268,714</u>	<u>(96,698,396)</u>
Capital assets, net	<u>\$ 182,131,057</u>	<u>\$ 6,490,841</u>	<u>NONE</u>	<u>\$ (6,995,936)</u>	<u>\$ 181,625,962</u>	<u>\$ 241,112</u>	<u>\$ 181,867,074</u>

E. INVENTORIES

The levee district maintains a perpetual inventory system for general government materials and supplies and fuel purchased for resale by the New Orleans Lakefront Airport. The general government inventory is recorded as an expense at the time the individual items are withdrawn from stock. The general government inventory is valued at average cost. The year-end balance consists of flood protection items that could be needed at any time. The fuel purchases are recorded as an expense when consumed. The fuel purchases are valued at cost using the first-in, first-out (FIFO) method.

F. RESTRICTED ASSETS

Restricted assets at June 30, 2003, shown on Statement A, amounted to \$1,944,755. Restricted assets consist of \$944,958 of funds received from FEMA for repairs due to storm damage, \$291 of

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003**

funds received as a result of forfeiture and seizure by the levee district police department, and \$999,506 of cash with fiscal agents for payment of debt. These funds are classified as restricted assets since their use is limited by applicable bond indentures.

G. COMPENSATED ABSENCES

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. In addition, it is the levee district's policy to pay any accumulated compensatory leave at the employee's hourly rate of pay at the time of termination.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as an expense when leave is earned. The financial statements present the cost of accumulated annual and compensatory leave as a liability. There is no liability for unpaid accumulated sick leave since the levee district does not have a policy to pay this amount when employees separate from service. The value of accrued annual leave and compensatory leave is \$880,245 and \$132,316, respectively.

H. RETIREMENT SYSTEM

Substantially all employees of the levee district are members of the Louisiana State Employees Retirement System (System), a cost sharing, multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time levee district employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the levee district is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2003 was 14.1% of annual covered payroll, compared to 13% required in fiscal years ended June 30, 2002, and 2001. The levee district contributions to the System for the years ending June 30, 2003, 2002, and 2001, were \$933,684, \$870,570, and \$888,538, respectively, equal to the required contributions for each year.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003**

I. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Substantially all levee district employees become eligible for postemployment health care, dental, and life insurance benefits if they reach normal retirement age while working for the levee district. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the levee district. For 2003, the cost of providing those benefits for the 87 retirees totaled \$289,741.

J. LEASES

None

1. OPERATING LEASES

The total payments for operating leases during fiscal year 2003 amounted to \$29,494. A schedule of payments for operating leases follows:

<u>Nature of lease</u>	<u>FY2004</u>
Copier machines	<u>\$ 24,320</u>
Total	<u><u>\$ 24,320</u></u>

The contract for the leasing of copiers will expire on June 30, 2004.

2. CAPITAL LEASES

None

3. LESSOR DIRECT FINANCING LEASES

None

4. LESSOR OPERATING LEASES

The Orleans Levee District leases boat slips, boathouses, and building space to certain parties under operating leases. At June 30, 2003, the total cost of the land, buildings and improvements leased to others is \$107,719,535, with \$57,042,918 of related accumulated depreciation. Future minimum rental payments to be received under these operating leases are as follows:

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003

Fiscal year ending June 30:	
2004	\$ 8,346,808
2005	8,480,354
2006	8,662,704
2007	8,733,645
2008	8,882,038
2009	8,905,880
2010	9,055,297
2011	9,158,301
2012	9,308,077
2013	9,333,054
Total	<u>\$ 88,866,158</u>

K. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2003:

	Long-Term Obligations Payable at July 1, 2002	Additions	Deductions and Retirement	Long-Term Obligations Payable at June 30, 2003	Due Within One Year
General obligation bonds	\$ 135,000		\$ (65,000)	\$ 70,000	\$ 70,000
Capital Recovery Funding Bonds	24,155,000		(24,155,000)	NONE	NONE
Levee Improvement:					
Fixed Rate Refunding Bonds, Series 1986	46,175,000		(2,230,000)	43,945,000	2,385,000
Variable Rate Refunding Bonds, Series 1996	5,405,000		(315,000)	5,090,000	335,000
Public Improvement:					
Fixed Rate Refunding Bonds, Series 1986	28,650,000		(1,275,000)	27,375,000	1,365,000
Variable Rate Refunding Bonds, Series 1996	2,270,000		(120,000)	2,150,000	130,000
Less:					
Unamortized discounts	(270,567)		20,813	(249,754)	
Unamortized loss on refunding	(60,955)		7,745	(53,210)	
Total - bonds	<u>106,458,478</u>	<u>NONE</u>	<u>(28,131,442)</u>	<u>78,327,036</u>	<u>4,285,000</u>
Judgments	17,800,195		(3,628,869)	14,171,326	NONE
Compensated absences	<u>958,697</u>	<u>\$ 104,002</u>	<u>(50,138)</u>	<u>1,012,561</u>	<u>35,680</u>
Total long-term obligations	<u>\$ 125,217,370</u>	<u>\$ 104,002</u>	<u>\$ (31,810,449)</u>	<u>\$ 93,510,923</u>	<u>\$ 4,320,680</u>

A detailed summary, by issues, of all debt outstanding at June 30, 2003, including outstanding interest of \$33,165,671, is shown on schedule 3-C. Schedule 4-D is an amortization schedule of the outstanding debt.

L. LITIGATION

Numerous lawsuits have been filed by individuals and acts have been passed by the Louisiana Legislature concerning the return of certain expropriated properties in the Bohemia Spillway and

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003

the payment of royalties and rents derived from these properties to the original owners of the properties. Act 233 of 1984, as amended by Acts 819 of 1985, 847 of 1992, 1364 of 1997, and 1378 of 1999, requires the Board of Commissioners of the Orleans Levee District upon receipt of the names of certified claimants from the Secretary of the Louisiana Department of Natural Resources (DNR) to return the ownership of properties in the Bohemia Spillway in the parish of Plaquemines to the owners or their successors from whom the property was acquired by expropriation or by purchase under threat of expropriation. At this date, the levee district is maintaining a complete accounting of all royalty revenues received as required by the act. The value of Bohemia Spillway properties included in the capital assets is \$133,244.

Before the effective date of Act 1364 of 1997 and 1378 of 1999, DNR certified claimants who had an interest in 164 of 220 tracts of land in the Bohemia Spillway for the return of the property. All property claims certified by DNR as of June 30, 2003, have been conveyed. Upon the return of the property, the levee district is required to return the royalties, et cetera, collected since June 29, 1984, until the date of transfer.

Judgments were rendered in Vogt & Edgecombe v. Board of Commissioners of the Orleans Levee District, Case No. 94-5084 c/w 94-5089, and in Haspel & Davis v. Board of Commissioners of the Orleans Levee District, Case No. 31-357, in favor of the plaintiffs awarding the sum of \$1,831,528 and \$18,767,145, respectively, plus interest from the date of judicial demand until paid, for the sum of revenues paid to the levee district of its share of royalties under mineral leases in the Bohemia Spillway. As of August 15, 2000, all claims under \$10,000 in Vogt & Edgecombe were paid in the full sum of \$108,683. As of August 15, 2000, all claims under \$10,000 in Haspel & Davis were paid into the registry of the court, for the benefit of all claimants, in the full sum of \$1,968,264. As of December 11, 2000, an additional sum of \$350,000, as agreed fixed costs in Haspel & Davis, was paid into the registry of the court. As of August 15, 2001, an additional sum of \$371,532 was paid on the Haspel & Davis judgment. As of June 30, 2002, unpaid final judgments in Vogt & Edgecombe and Haspel & Davis totaled \$1,722,845 and \$16,077,350, respectively, plus interest from the date of judgments. The Vogt & Edgecombe judgment in the full sum of \$3,000,000 was paid on January 24, 2003. On February 7, 2003, a payment of \$1,906,023 was paid into the registry in the Haspel & Davis class action; and the court accepted the payment as current on the settlement agreement amortization plan. All judgments in the Bohemia Spillway matter will be paid if and when funds become available and when funds are appropriated therefore.

At June 30, 2003, the levee district is a defendant or co-defendant in 52 lawsuits, including 9 cases related to the Bohemia Spillway, claiming damages, possession of property, and contract disputes. In addition, the levee district is involved in several civil service actions. The levee district's legal counsel has reviewed all claims and lawsuits to evaluate the likelihood of an unfavorable outcome to the levee district and has attempted to arrive at an estimate of the amount of potential loss. For the lawsuits involving claims or damages not related to the Bohemia Spillway, the levee district's legal counsel does not anticipate that potential losses resulting from these lawsuits will have a significant adverse effect on the financial position of the levee district.

As reflected in Statement D, payments for claims and litigation totaled \$4,956,123 for the year ended June 30, 2003. At June 30, 2003, liabilities associated with claims and judgments total \$14,171,326 as shown on Statement A.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003**

M. RELATED PARTY TRANSACTIONS

None

N. ACCOUNTING CHANGES

None

O. IN-KIND CONTRIBUTIONS

The United States Army Corps of Engineers (USACE) and the levee districts in southeastern Louisiana, including Orleans Levee District, participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan). Under the High Level Plan, the levee district has expended bond and ad valorem tax funds over (approximately) the last 18 years for USACE qualified projects and earned credits for such expenditures to be applied against future flood protection projects.

The United States Congress has approved projects totaling \$745,000,000 for the 300-year Lake Pontchartrain and Vicinity Hurricane Protection Plan. The estimated amount per the USACE for Orleans Parish is \$385,212,000. The USACE will expend 70% and the Orleans Levee District will expend 30%. The estimated expenditures at June 30, 2003, are \$279,650,000 for the USACE. The 30% participation by the Orleans Levee District will not cause direct cash outflows. Three major projects on the High Level Plan are ongoing in Orleans Parish: the Orleans Avenue Canal, London Avenue Canal, and 17th Street Canal. These major projects should be completed in 2005.

P. OUTSTANDING DEFEASED DEBT

None

Q. COOPERATIVE ENDEAVORS

None

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)

The Orleans Levee District received federal funds from the Federal Emergency Management Assistance Agency under the Public Assistance Grants Program (CFDA 83.544). The levee district administers this program as a subrecipient with funds passed through the Department of Military Affairs. During the year ended June 30, 2003, the levee district expended federal funds totaling \$155,339 under this program.

In addition, the Orleans Levee District received federal funds from the Federal Aviation Administration under the Airport Improvement Grants Program (CFDA 20.106). This grant provides for the airport to resurface the runway and taxiway and install a security access control system around the perimeter of the airport. During the year ended June 30, 2003, the levee district expended federal funds totaling \$20,826 under this program.

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

None

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003**

T. SHORT-TERM DEBT

None

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2003, were as follows:

V. DISAGGREGATION OF PAYABLE BALANCES

Activity	Customer Receivables	Taxes	Receivables from Other Governments	Other Receivables	Total Receivables
Gross receivables	\$ 651,783	\$ 639,657	\$ 333,523		\$ 1,624,963
Less allowance for uncollectible accounts					
Receivables, net	<u>\$ 651,783</u>	<u>\$ 639,657</u>	<u>\$ 333,523</u>	<u>NONE</u>	<u>\$ 1,624,963</u>
Amounts not scheduled for collection during the subsequent year	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

Payables at June 30, 2003, were as follows:

Activity	Vendors	Salaries and Benefits	Accrued Interest	Other (Contracts) Payables	Total Payables
Total payables	<u>\$ 1,132,998</u>	<u>\$ 246,055</u>	<u>\$ 772,822</u>	<u>\$ 1,157,133</u>	<u>\$ 3,309,008</u>

W. SUBSEQUENT EVENTS

On March 27, 2002 by Resolution No. S1-032702, the board approved the Agreement for the Lease, Management, Operation, Commercial Enhancement and Development of the New Orleans Lakefront Airport between the Commissioners of the Orleans Levee District and American Airports Lakefront, L.L.C., previously approved by the Special Airport Committee of the Orleans Levee Board. The board also authorized the President of the Board of Commissioners of the Orleans Levee District to sign and file with the Federal Aviation Administration (FAA) the Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport. The Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport was submitted to the FAA on April 30, 2002 and is currently under review.

In a board meeting held on August 20, 2003, the levee board adopted four resolutions determining to proceed with a plan of restructuring the currently outstanding Orleans Levee

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2003

District Levee Improvement Bonds, Series 1986, The Orleans Levee District Levee Improvement Refunding Bonds, Series 1996, the Orleans Levee District Public Improvement Bonds, Series 1986, and the Orleans Levee District Public Improvement Refunding Bonds, Series 1996 by pursuing one or more transaction structures; authorizing seeking approval of the Louisiana State Bond Commission to the issuance of the refunding bonds; hiring a financial advisor in connection with the restructuring; authorizing the distribution/publication of a request for qualifications for qualified investment banking firms to assist with the restructuring and providing for other matters in connection therewith.

X SEGMENT INFORMATION

None

Y. DUE TO/DUE FROM AND TRANSFERS

None

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets at June 30, 2003 total \$772,822 in the current liabilities section on Statement A, and consists of accrued bond interest payable.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS

With the implementation of Governmental Accounting Standards Board Statement No. 34 last fiscal year, the levee district recorded depreciation on its capital assets that has previously been recorded in the general fixed assets account group. A subsequent review of the capital assets and related accumulated depreciation determined that the accumulated depreciation for equipment had been overstated by \$268,715. That same review also resulted in the discovery of \$27,601 that had been capitalized to construction in progress in error.

The following adjustments were made to restate beginning net assets at July 1, 2002:

Net assets at June 30, 2002	\$ 121,207,204
Adjustments:	
Accumulated depreciation	268,715
Construction in progress	<u>(27,601)</u>
Net assets restated at July 1, 2002	<u><u>\$ 121,448,318</u></u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Year Ended June 30, 2003**

<u>Name</u>	<u>Amount</u>
Thomas B. Coleman	NONE
Marlin N. Gusman (Resigned effective July 24, 2002)	\$ 75
Patricia W. Harris	1,725
James P. Huey, President	1,500
Victor A. Landry, Vice President	2,700
James E. Livingston	NONE
Robert E. Smith Lupo	NONE
Charles L. Rice (Appointed effective April 11, 2003)	375
Cynthia Willard-Lewis	825
	\$ 7,200
Total	<u><u>\$ 7,200</u></u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF STATE FUNDING
For the Year Ended June 30, 2003**

Description of Funding	Amount
1. _____	\$ _____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
9. _____	_____
10. _____	_____
Total	\$ <u>NONE</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE
June 30, 2003**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/02	Redeemed (Issued)	Principal Outstanding 06/30/03	Interest Rates	Interest Outstanding 06/30/03
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Total		\$ <u>NONE</u>	\$ <u>NONE</u>	\$ <u>NONE</u>	\$ <u>NONE</u>		\$ <u>NONE</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF NOTES PAYABLE
June 30, 2032**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/02	Redeemed (Issued)	Principal Outstanding 06/30/03	Interest Rates	Interest Outstanding 06/30/03
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Total		\$ <u>NONE</u>	\$ <u>NONE</u>	\$ <u>NONE</u>	\$ <u>NONE</u>		\$ <u>NONE</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF BONDS PAYABLE
June 30, 2003**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/02	Issued (Redeemed)	Principal Outstanding 06/30/03	Interest Rates	Interest Outstanding 06/30/03
Public Improvement Bonds - Series A	10/01/73	\$ 1,000,000	\$ 135,000	\$ (65,000)	\$ 70,000	5.4%	\$ 1,890
Public Improvement Fixed Rate Bonds - Series 1986	08/29/86	36,225,000	28,650,000	(1,275,000)	27,375,000	5.95%	12,107,209
Public Improvement Variable Rate Refunding Bonds - Series 1996	10/29/96	2,795,000	2,270,000	(120,000)	2,150,000	5.40%	989,890
Levee Improvement Fixed Rate Bonds - Series 1986	08/28/86	64,920,000	46,175,000	(2,230,000)	43,945,000	5.95%	17,921,251
Levee Improvement Variable Rate Refunding Bonds - Series 1996	10/29/96	6,775,000	5,405,000	(315,000)	5,090,000	5.40%	2,145,430
Capital Recovery Funding Bonds - Series 1988 A	03/04/88	25,000,000	24,155,000	(24,155,000)	NONE	3.5% - 13.0%	NONE
Total		\$ 136,715,000	\$ 106,790,000	\$ (28,160,000)	\$ 78,630,000		\$33,165,670

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
For the Year Ended June 30, 2003**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ _____	\$ _____
2005	_____	_____
2005	_____	_____
2007	_____	_____
2008	_____	_____
2009-2013	_____	_____
2014-2018	_____	_____
2019-2023	_____	_____
2024-2028	_____	_____
Total	\$ <u><u>NONE</u></u>	\$ <u><u>NONE</u></u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF CAPITAL LEASE AMORTIZATION
For the Year Ended June 30, 2003**

<u>Fiscal Year</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2004	\$ _____	\$ _____	\$ _____	\$ _____
2005	_____	_____	_____	_____
2005	_____	_____	_____	_____
2007	_____	_____	_____	_____
2008	_____	_____	_____	_____
2009-2012	_____	_____	_____	_____
2014-2018	_____	_____	_____	_____
2019-2022	_____	_____	_____	_____
2024-2028	_____	_____	_____	_____
Total	\$ <u>NONE</u>	\$ <u>NONE</u>	<u>NONE</u>	<u>NONE</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF NOTES PAYABLE AMORTIZATION
For the Year Ended June 30, 2003**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ _____	\$ _____
2004	_____	_____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009-2013	_____	_____
2014-2017	_____	_____
2019-2023	_____	_____
2024-2028	_____	_____
Total	\$ <u><u>NONE</u></u>	\$ <u><u>NONE</u></u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For the Year Ended June 30, 2003**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 4,285,000	\$ 4,546,148
2005	4,455,000	4,320,500
2006	4,775,000	4,043,893
2007	5,110,000	3,747,678
2008	5,475,000	3,430,513
2009-2012	33,955,000	11,530,904
2014-2016	<u>20,575,000</u>	<u>1,546,035</u>
Total	<u>\$ 78,630,000</u>	<u>\$ 33,165,671</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Comparative Figures**

To assist OSRAP in determining the reason for the change in financial position for the state and reason for the changes in the budget, please complete the schedule below. If the change is greater than 10%, explain the reason for the change.

	<u>FY 2003</u>	<u>FY 2002</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	<u>\$ 38,952,191</u>	<u>\$ 41,313,650</u>	<u>\$ (2,361,459)</u>	<u>-5.72%</u>
Expenses	<u>\$ 36,671,400</u>	<u>\$ 35,563,964</u>	<u>\$ 1,107,436</u>	<u>3.11%</u>
2) Capital assets	<u>\$ 103,540,038</u>	<u>\$ 100,203,694</u>	<u>\$ 3,336,344</u>	<u>3.33%</u>
Long-term debt	<u>\$ 78,630,000</u>	<u>\$ 106,790,000</u>	<u>\$ (28,160,000)</u>	<u>-26.37%</u>
Net assets	<u>\$ 123,729,108</u>	<u>\$ 121,448,318</u>	<u>\$ 2,280,790</u>	<u>1.88%</u>

The 26.37% decrease for long-term debt is mainly attributable to the redemption of the Capital Recovery Funding Bonds, Series 1988.

	<u>FY 2003 Original Budget</u>	<u>FY 2003 Final Budget</u>	<u>Difference</u>	<u>Percentage Change</u>
3) Revenues	<u>\$ 36,035,954</u>	<u>\$ 37,603,734</u>	<u>\$ 1,567,780</u>	<u>4.17%</u>
Expenses	<u>\$ 37,602,983</u>	<u>\$ 47,358,486</u>	<u>\$ 9,755,503</u>	<u>20.60%</u>

The 20.6% increase in budgeted expenditures is the result of an increase in capital spending and litigation payments.

	<u>FY 2003 Final Budget</u>	<u>FY 2003 Actual</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	<u>\$ 37,603,734</u>	<u>\$ 38,952,192</u>	<u>\$ 1,348,458</u>	<u>3.46%</u>
Expenses	<u>\$ 47,358,486</u>	<u>\$ 36,671,401</u>	<u>\$ 10,687,085</u>	<u>29.14%</u>

Operating expenses were under budget by 5.06% (\$1,158,984). Major maintenance/capital improvements were \$9,496,313 less than budgeted, of which \$5,160,255 were capitalized and the remainder was unspent. Both principal and interest payments are budgeted, while actual debt service reports only interest expense, which results in debt service being less than budgeted by \$3,778,769. Litigation payments were budgeted at \$5,106,023, but only \$1,327,254 was charged to current expense with the balance reducing judgments payable. Offsetting these favorable budget variances is \$7,002,547 of depreciation, which is not budgeted.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

September 2, 2003

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of the Financial Statements
Performed in Accordance With *Government Auditing Standards*

**BOARD OF COMMISSIONERS OF
THE ORLEANS LEVEE DISTRICT**
New Orleans, Louisiana

We have audited the basic financial statements of the Orleans Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 2, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Orleans Levee District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Failure to Submit a Document Retention Schedule

The Orleans Levee District did not submit a written record retention schedule to the Secretary of State in accordance with state law. Louisiana Revised Statute 44:411 (A)(1) requires agency heads to submit schedules to the state archivist that state the length of time each state record or series of records should be retained for administrative, legal, or fiscal purposes after the records have been created or received by the agency. These conditions exist because district management was not aware of the requirement.

Failure to establish a written record retention schedule could result in the destruction or deterioration of critical records while failure to submit the schedule to the Secretary of State results in noncompliance with state law. In addition, the lack of a written retention schedule could result in the district keeping records beyond the legally required retention date, which would be an inefficient use of office or warehouse space.

LEGISLATIVE AUDITOR

BOARD OF COMMISSIONERS OF THE ORLEANS LEVEE DISTRICT STATE OF LOUISIANA

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Management should submit a written record retention schedule to the Secretary of State for approval as required by state law. Once the retention schedule is approved, it should be implemented immediately. Management concurred with the finding and recommendation (see Appendix A, page 1).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Orleans Levee District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter described below involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Orleans Levee District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

No Formal Disaster Recovery Plan

For the second consecutive year, the Orleans Levee District has not formally implemented and tested a disaster recovery/contingency plan. This plan should include provisions for an offsite disaster recovery facility to provide for the timely restoration and continuation of critical entity operations in the event that normal data processing facilities were unavailable for an extended period of time. Provisions of the plan should be tested periodically and updated when necessary to ensure a timely and orderly return to regular operations.

Management has taken steps towards developing a comprehensive disaster recovery/contingency plan; however, the plan has not been fully developed, implemented, and tested. Failure to develop and test a comprehensive disaster recovery plan increases the risk that in the event of a disaster, there will be an untimely or excessive delay in processing critical data and that critical data may be lost.

The district should continue to develop a comprehensive disaster recovery/contingency plan that would provide for the timely resumption of critical entity operations following a disaster. Management should focus on locating a back-up site that will allow the district to reestablish its critical operations within an acceptable time frame should a disaster occur. After establishing the plan, the district should test the plan periodically, and update it as necessary, to ensure that it continues to meet the district's needs.

LEGISLATIVE AUDITOR

**BOARD OF COMMISSIONERS OF
THE ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

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Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described previously is not a material weakness.

This report is intended solely for the information and use of the levee district and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with the first name "Grover" and last name "Austin" clearly distinguishable.

Grover C. Austin, CPA
First Assistant Legislative Auditor

RR:JR:PEP:dl

[OLD03]

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations

The Board of Commissioners

OF THE

Orleans Levee District

SUITE 202 - ADMINISTRATION BUILDING

6001 STARS AND STRIPES BLVD.

New Orleans, La.

70126-8006

August 29, 2003



TEL. 504-243-4000

PROTECTING YOU
AND YOUR FAMILY

Grover C. Austin, CPA
First Assistant Legislative Auditor
State of Louisiana
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Failure to Submit a Document Retention Schedule

Dear Mr. Austin:

This is in response to the Legislative Auditor Fact Finding Form, requesting a response to the reportable condition for the Orleans Levee District, failure to submit a document retention schedule.

MANAGEMENT RESPONSE:

The Orleans Levee District has an informal record retention program that is administered in the Finance Department, but was unaware of the applicability of R.S. 44:411 (A)(1) to political subdivisions. After a review of the law by the District's special counsel, management concurs with the auditor's recommendation. A formal record retention plan will be drafted and submitted to State Archives by year's end.

Sincerely,

Max L. Hearn
Executive Director

MLH/MEH/jd

cc: The Honorable James P. Huey, President
Mary E. Herbert, CPA, CGFM, Comptroller

The Board of Commissioners

OF THE

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August 29, 2003

Grover C. Austin, CPA
First Assistant Legislative Auditor
State of Louisiana
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: No Formal Disaster Recovery Plan

Dear Mr. Austin:

This is in response to the Legislative Auditor Fact Finding Form, requesting a response to the reportable condition for the Orleans Levee District, no formal disaster recovery plan.

MANAGEMENT RESPONSE:

The Orleans Levee District concurs with the auditor's recommendation. To that end, the District has drafted a business continuity plan (BCP) that will address multiple disaster scenarios, and has secured the data center equipment needed, including sixteen notebook computers to be used by the disaster recovery team. Additionally, the District has secured a location at its Franklin Facility, which is within flood protection, to act as the primary disaster recovery site. The disaster recovery team is in the process of being defined along with critical business functions and procedures. Once this has been established, the BCP will be fully documented and tested.

In conclusion, the District's BCP is in its infancy, but the District has made great strides in the past year towards a full BCP implementation. The District has procured the necessary equipment, has begun the process of documenting the necessary procedures, and defining the rolls and personnel needed in the execution of the BCP. The District understands the importance of a BCP and is committed to the process. The District has set an aggressive timeline of having a fully documented and tested BCP by July 2004.

Sincerely,

Max L. Hearn
Executive Director

MLH/MEH/jd

cc: The Honorable James P. Huey, President
Mary E. Herbert, CPA, CGFM, Comptroller